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4 June 1985

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

CSSR DAILY VIEWS CEMA MARITIME TRANSPORT COOPERATION

AU191006 Bratislava PRAVDA in Slovak 17 Apr 85 p 6

[Article by Jan Streda: "Vessels Under the CEMA Countries' Flags"--passage between slantlines published in boldface; initial paragraph is paper's introduction]

[Text] /Vladimir Tikhonov, USSR first deputy minister of maritime fleet, speaks about the fruitfulness of the cooperation among the socialist states in the development of maritime transportation./

The sailors of the river and ocean merchant fleet of the CEMA member-countries marked several "round" anniversaries recently. One of the most important is the 25 years of cooperation among these states in the sphere of river [lodna] transportation and the 10 years of cooperation in the ocean merchant fleet[obchodni lodna] transportation in which Bulgaria, Hungary, the GDR, Poland, Romania, the Soviet Union and Czechoslovakia participate.

The merchant fleet of the CEMA countries has a total tonnage of more than 31 million metric tons and ensures almost 20 percent of the community countries' total transportation requirements, and together with the river vessels (plying mainly the river Danube) 24 percent. The coordination of the activities of all parties, including providing tonnage to one another and the transportation agreements, facilitates the rational utilization of vessels in international trade.

The maritime transportation and the handling of many million of metric tons of freight on land naturally presupposes excellent technical facilities for the ocean and river economy of the CEMA countries. Let us take, for example, the railroad ferry operating between Ilichevsk (the USSR) and Varna (Bulgaria). It is the world's largest ferry complex with many outstanding technical parameters. Ocean-going ferries transporting railroad cars, or, to put it more accurately, entire trains, have speeded up freight transportation three or four times compared with the railroad. The introduction of new techniques and technological processes on this Black Sea line will systematically increase the frequency of passage of this route. In 1981, for example, vessels plying between Ilichevsk and Varna carried 2.9 million metric tons of freight; the year after the volume of transported freight rose to 3.5 million metric tons.

The successful and efficient functioning of the Bulgarian-Soviet ferry on this Black Sea route illustrates the necessity of developing this progressive type of freight transportation to the maximum. The USSR and the GDR took an important step in this respect when they concluded an agreement on establishing a railroad ferry link that will be the largest project in the integration of those two countries' transportation systems. That route will connect the Soviet port of Klaipeda with the Muckran ferry complex that is being built in the GDR. In Klaipeda preparatory work on the construction of the necessary coastal facilities has already begun. The transportation on this route will be carried out by six vessels (three under the USSR flag and three under the GDR flag), which will be built in the Mathias-Thesen-Werft shipyard in Wismar. The first one will start operating in the Baltic Sea already in 1986. When the transportation gets into a full swing, it will carry out about 5.3 million metric tons annually, of which approximately 3 million metric tons will be from the USSR to the GDR.

The CEMA countries are systematically perfecting the forms of bilateral and multilateral cooperation in maritime transportation. The activity of the DUNAJTRANS joint Bulgarian-Soviet company for the utilization of the Danube fleet, which has already been in existence 5 years, is developing successfully. DUNAJTRANS is markedly increasing the efficiency of the work of the Bulgarian and Soviet fleets. One can say, for example, that the idling times of the two countries' freight barges while waiting to be towed have been reduced to less than half. Today one towing vessel transports 21 percent more freight than was the case before DUNAJTRANS existed. In order to deploy towing vessels flexibly and handle the freight, a system for dispatchers' consultations has been set up, involving the Danube River companies of Bulgaria, Romania, the USSR, Czechoslovakia and INTERLICHTER--the international economic enterprise of the socialist countries.

The CEMA member-countries are developing transportation in accordance with the Long-Term Goal-Oriented Program of Cooperation. The task is to increase the capacities of ports and perfect the organization of international transportation while making use of modern techniques and technologies. Such work is being done, above all, in the port of Rostock. The GDR and Czechoslovakia are building there capacities for the reception, storage, and unloading of citrus fruits, and expanding and modernizing capacities for handling freight. To this day they have already put into operation a transloading facility for loose [sypky] freight.

The shipbuilding industry has also been stepping-up the pace, which is one of the most developed sectors in the economies of many fraternal states. The GDR, for example, is to put into operation more than 20 types of vessels in the eighties, which will diversify the existing nomenclature [as published] of vessels for transporting dry freight, container vessels, deep-freeze and fishing vessels. The republic's heavy engineering TAKRAF combine is one of the leading suppliers of port cranes within the framework of CEMA.

Poland holds the world's third place in the export of vessels and the seventh place in building them. At the same time, the shipbuilding industry in the PPR

only essentially started to exist in the postwar period. For the Soviet fishing fleet alone, Polish shipbuilders have built in more than 30 years a total of 765 vessels with an overall tonnage of 5.5 million metric tons. Currently being built in Poland on an order from the Soviet Union are large fishing vessels, floating fish-processing factories, container vessels, ferries, tankers, as well as vessels of various tonnages for the transportation of solid freight. Highly qualified cadres have emerged in the country, capable of mastering the most difficult tasks.

The lighter system, designed for the Baltic Sea area, is of great practical interest to many CEMA countries. This system should ensure freight transportation to the west coast of Africa, the east coast of South America, to Cuban ports, as well as to the Baltic Sea and North Sea area. The usefulness and technical design of a new lighter system is in the research stage.

Measures to ensure better utilization of the Danube, particularly as regards shifting foreign trade freights from railroad to river transportation, are also being prepared.

In accordance with the Long-Term Goal-Oriented Program of Cooperation, the CEMA member-countries are developing cooperation oriented toward accelerating the progress of Cuba's economy and improving its efficiency. In the course of the current 5-year plan, the transportation volume between the Island of Freedom and the other CEMA member-countries will increase by more than 40 percent, a matter for which one has to increase the capacity of the republic's maritime gateways. Various equipment for the development of Cuban ports has been arriving from Bulgaria, Hungary, the GDR, Poland, and the Soviet Union. The country's main ports are being reconstructed with Soviet help and ports for loading of citrus fruits are being built in Havana, Nuevitas, and on the Island of Youth.

A plan for the development and expansion of the port of Cienfuego has been worked out. There are plans to construct new storage space and piers, including specialized ones, as well as to equip the port with high-performance loading and unloading equipment.

Cooperation in the sphere of sea and river transportation is developing according to a plan and provides the possibility to purposefully increase the transportation of the most important types of goods for the national economies of the CEMA member-countries.

CSO: 2400/399

ECONOMIC RELATIONS WITH LIBYA EXPANDING

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 10 Apr 85 p 8

[Article by Stoyan Enev: "Mutually Beneficial Cooperation"]

[Text] Economic relations between Bulgaria and Libya date from 1964, but rapid development was accomplished only after the victory of the First of September Revolution in Libya in 1969. Only 3 years later (in 1972), a Bulgarian-Libyan joint committee for economic and scientific-technical cooperation was created; this committee actively influences the expansion and greater variety of trade and economic ties between our two nations.

The traditional meetings and personal contacts between General Secretary of the Central Committee of the Bulgarian Communist Party Todor Zhivkov and leader of the First of September Revolution Muammar Qaddafi are of decisive significance for the dynamic development of bilateral economic relations.

On the initiative of the two leaders, a long-term program for the development of economic and scientific-technical cooperation between the Bulgarian People's Republic and the Socialist People's Libyan Arab Jamahiriya for the 1985-90 period was adopted; this program represents a healthy foundation for dynamic relations between our two friendly nations.

Favorable Results

Significant success has been achieved in the past several years in mutual economic cooperation. Bulgarian engineering organizations have participated in the construction of sites and enterprises in Libya, such as the chemical complexes in Ras Lanuf and Abu Kamash and the refinery in Zawia. They have put up hundreds of kilometers of high-tension, long distance lines, built airfields, including the international airport in Tripoli, silos, hospitals and clinics, refrigerated warehouses, sporting and tourist complexes, etc.

The results in the development of cooperation in agriculture are significant. With Bulgarian participation, Libya has built dozens of reservoirs, irrigation systems, has tested thousands of meters of land looking for underground water, created the first large apple and other fruit tree orchards, greenhouses, poultry combines, etc.

Cooperation in the construction of raw material and energy branches in Libya has been developing even more successfully. Based on a long-term concession agreement, the Bulgarian engineering organization Bulgargeomin has drilled test wells and discovered oil reserves.

A significant number of trained Bulgarian specialists are conveying their experience to Libyan agencies and organizations, most of all in the field of health protection. Cooperation in automobile and air transportation, communications, tourism, and other fields is expanding.

Based on the broad cooperation in the various fields and the two countries' growing possibilities, commodity exchange is increasing annually. In 1984, Libya attained first place among Bulgaria's nonsocialist trading partners.

The official friendly visit by chairman of the Council of Ministers of the Bulgarian People's Republic Grisha Filippov to Libya in February of this year gave new impetus to the development of bilateral cooperation. The conversations held categorically affirmed the mutual desire to expand economic relations. The Libyan side often stressed the tremendous authority of the Bulgarian People's Republic and Comrade Todor Zhivkov personally, as well as our nation's signifcant opportunities as an economic partner in the development of vitally important branches of the Libyan economy. A number of projects and fields for cooperation between the two countries on a long-term basis were discussed in this light.

Joyous Prospects

Significant prospects are being outlined for expanding joint activity, based on the long-term program for geologic studies of oil, as well as building new capabilities for the petrochemical industry in Libya, with our help.

In the field of power supply, Bulgaria will participate in the study, design, and construction of sites connected with the production and transport of electric energy, most of all within the framework of the KOMEE Bulgarian-Libyan association for electrification.

The opportunities for forming a number of small and mid-sized enterprises, in cooperation with our organizations and with Bulgarian equipment, were discussed, and a concrete long-term program will be developed in connection with this. Construction of enterprises for processing fruits and vegetables, for milk, for special attention was paid to cooperation in agriculture. We now foresee the adoption of a long-term program for construction of a number of sites related to field cultures, livestock breeding, and irrigation, with our assistance.

A form of recognition for our experience and capabilities is the invitation from the Libyans to Bulgarian organizations to participate in the execution of the huge, Great Artificial River project. Cooperation will be expressed in carrying out studies and tests, as well as in construction of irrigation

systems and industrial enterprises in future villages in the region of the Great River.

New prospects for the development of commodity exchange for the future on a long-term basis are being opened up. They will guarantee a stable supply of oil and other commodities for our country, in exchange for the Bulgarian agricultural and other machines, equipment, and items from light industry and foodstuffs that are needed for the Libyan economy.

The two countries express interest in broadening scientific-techinical cooperation as well. In the next few years the number of Libyan students at our educational institutions will grow, and our instructors will work at their training centers in Tripoli, Benghazi, and Sebha.

In response to the constantly growing interest among business circles and broad groups of Libyan society in our nation's successes, the Libyan leadership has invited us to organize a huge, representative, Bulgarian trade, economic, and industrial exhibition in Tripoli this year.

The results so far, the agreements achieved, and the prospects outlined affirm the well-known conclusions of the main leaders of the two nations, Comrades Todor Zhivkov and Muammar Qadaffi, that Bulgarian-Libyan relations are an example of relations between two friendly nations, that they are on their way to more rapid socioeconomic development, in the name of happiness and prosperity for our peoples.

12334
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BULGARIA

POOR SERVICES HARM TOURIST INDUSTRY

Sofia OTECHESTVO in Bulgarian No 6, 1985 p 6

[Article by Borislav Dionisiev: "About Small Pebbles and the Cart, Or Once More About Tourist Services"]

[Text] Recently, on a Sunday, I came with two friends to the Mura Hotel in Borovets, with the natural desire (after enough unsuccessful attempts) to drink coffee at 10:30 in the morning. In the middle of the not terribly large, but pleasant and cozy foyer were five or six women whose duty it clearly was to look after the cleanliness of the rooms. Surrounded by pails and rags they were discussing something, to the amazement of the hotel guests, who had to pass by them and whom they bumped into occasionally; the guests were going out to ski. Across from the reception desk, where no one was standing, there was a daytime bar. It turned out that it had rather strange operating hours for a daytime bar, from 3:00 to 11:00 p.m. Thus at 10:30 a.m. the counter is covered with cups, bottles, and dirty ashtrays.

After ten minutes, when no one had yet come to the reception desk, we understood, from one of the women, who serves in the capacity of informer, that the restaurant was open all day and that we could drink coffee there. The restaurant truly was open. There was a pleasant room paneled in dark wood; only four tables were occupied by foreigners; thus we should have no problems with finding a place. The only problem was that in the course of ten minutes no one appeared, none of the people who are supposed to help with serving coffee or whatever. At the back of the restaurant, around a long table covered with hors d'oeuvres (looking very much like the waitress' table), several women were sitting....

At that moment when our patience was almost exhausted, the door into the kitchen flew open and a server appeared with a cart covered with sausages, cheese, wine and rakiya. But unfortunately for us, without paying any attention to the so-called clients, he turned to the right to attentively arrange the delicacies on a long table by the door of the restaurant. Overcoming our shyness, we approached him with what I thought was a logical question, that is, if someone could serve us. The response was extremely clear: "Yes, but you'll have to wait. I'm busy and my colleagues are working." The waiting lasted for around 20 minutes, after which time one of the colleagues appeared, with no special pleasure at our presence written

all over his face. Our not terribly complex order took 15 more minutes to carry out, while at the same time the desires of the people which we had found at the two remaining occupied tables in the restaurant were satisfied. After a little while, from the back of the restaurant, a new face appeared, with a rather imposing visage, and after that one more male colleague, followed by a female colleague. It was clear that this was the manager of the business, who rather swiftly and authoritatively decided quarrels about "territory," and whose voice, I thought, would even make those women in the foyer understand which server would wait on which tables. After this she withdrew to one of the tables in the back of the restaurant, only to busy herself a moment later with a cup of tea and a pastry brought by one of her colleagues. When this rather late breakfast was over, a young man with strange clothes and a box under his arm appeared in the restaurant and sat at the manager's table. The box turned out to contain a set of checkers.... The hour was 12:00.

Perhaps readers will be surprised because I am telling this story, which many people know, with different variants. There is no question that similar examples abound. The question is how long all of this will go on. And I think it's high time, right now, when the requirements about quality are being posited in all spheres of our lives, for each of us to have an attitude toward this problem. Perhaps certain things are clearer, more easily understood by everyone in the area of services, tourism, and leisure.

I tell this story about the newest and most modern hotel in Borovets because I believe it is quite indicative of how, when all the right circumstances are created, we fail, for one reason or another, to take advantage of them. New hotels, rest houses, restaurants, coffee houses are being built; old ones are being remodeled (whether successfully or not, whether efficiently or not); whole quarters are constructed, along with village systems; and all of this costs hundreds of thousands of leva. After that, and not all that rarely, people come to them and in a short time succeed in destroying all that was created (sometimes even in the literal sense!). And I want to say here that we are not talking only about those who work in the area of tourism and services. Things have a flip side. We are talking about us, about the ones who take advantage of these services. To a great extent, we still haven't learned how to value others' labor. There are still people who don't take into account that we all depend on each other, that our prosperity depends on the labor of each of us, independent of which sphere of social productivity is involved. That is why our respect for each other is mutual. A short time after the new Rodina Hotel was opened in the capital, many of the things that can be put in one's pocket or a purse disappeared from the modern sports complex. Formerly, telephone books used to be placed in booths only so they could be torn apart and carried here and there. New streetcar and bus stops were made with precise signs showing what could be transported in them, only to have them scribbled on and dented up. Out of concern for the drivers of trains on the main line from Sofia to Plodiv, many necessary telephone booths were set up for travel assistance, only to have all the necessary parts carried away to be ripped apart and pulled off by those very same drivers, so that they could not be used by

anyone. And all of this is done in thinking about all of us, for our convenience. And it is high time we understood it!

But I still want to return to the problems of tourist services, because not only their economic but also their political and ideological significance passes far beyond the borders of our nation. At the end of last year, during a trip around Great Britain, I met a number of English and Scottish people who had vacationed in Bulgaria. Most of them were people who admired socialism's accomplishments in Bulgaria. But unfortunately they shared totally unhappy news about their stays in our resorts. There was no evil intention in their words, but a desire to help things to change, to get better. We talked about the fact that it's rare for restaurants to have menus on the tables with the prices of various foods; that the servers most frequently make out the bills on slips of paper, so that you see only the final result, which doesn't always coincide with the actual amount; that between 3:00 and 6:00 and after 10:30 pm, a person cannot find a place where he can eat. This says nothing about the lack of variety in the menus of various establishments and the absence of foods traditional for Bulgarian cuisine, which the foreigners, and we ourselves, often would like to see on the table. (One of the leaders of the Miners' Union in Scotland told me about how he and his friends had visited the same hotel bar several evenings in a row, ordered the same drinks, but always paid a different price. In addition, the total grew each day. His words should not be forgotten: "I hope there are not many of them, but do not they understand that they are not really stealing from us, but from your wonderful socialist state!")

The widest variety of people come to our country. For many of them, their only impression of Bulgaria is formed by their contacts with tourist agents, people who work in administrations, tour guides, servers, who often simply are not there, or they bring cold soup after the main dish, or the doormen and bell-boys are often dozing in the vestibules of the hotels. I have met journalist colleagues or businessmen at various places, who have visited Bulgaria and who spoke with great amazement about the habits at certain of our best hotels. For example, at the Panorama Restaurant at the Vitosha-New Otani Hotel, one can often see kitchen workers alongside the waiters; the doormen let in the waiters' friends, who sit at their tables during work hours, while hotel guests are turned back on the pretext that there is no room; staff people are often seen at various bars and coffee shops, and their "colleagues" pay more attention to them, than to those....

All of us have a lot of evident difficulties which have to be overcome, the lack of staff, of training, even of traditions in our constantly developing tourist industry. But I think at the same time that there are things which could be done and which we unfortunately haven't managed to do yet.

There are enough ordinances and regulations about the menus on the tables, about the waiters' bills, and about the managers of salons and restaurants, but, for reasons unknown to me, they are not carried out. Would not the situation be better if (as has already been done at several places in

Bulgaria) there were cash registers everywhere, so that the customer could receive a cash register receipt, instead of the waiter trying with difficulty to create the amount on some scrap of paper, which remains solely in his possession? And since the problem of the work of waiters in restaurants, bars, and coffee shops remains one of the most acute ones, I am thinking of something which I recently comprehended. I am talking about remuneration for their laobr. Would not things change if, instead of their pay, they received a percentage, determined by the competent organs, just as for instance those who work in barbershops and hair salons do?

I do not in any way want to give prescriptions, in these few pages, because there are no doubt people in the Bulgarian Tourist Organization who are much more competent than I, who certainly must seek ways of fixing little things which are not perfect. We find evidence for this every day. I've allowed myself these thoughts at the end of the winter and the beginning of the summer tourist seasons for precisely this reason. They were caused by anguish, which arises because we see the concern of the party, the government, and the competent organs in regard to tourist and leisure services, concerns which we haven't managed to put to use as yet. And only because someone hasn't finished his work, and another considers this a trifling matter! Sometimes we forget that even small pebbles can upset a cart.

12334
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CZECHOSLOVAKIA

SLOW IMPLEMENTATION OF R&D RESULTS CRITICIZED AT MEETING

Bratislava PRAVDA in Slovak 23 Apr 85 p 4

/Discussion summarizing PRAVDA series on accelerated implementation of R&D: "The Recipe Is Not in the Regulations"/

/Text/ From October 1984 to April 1985 we published in PRAVDA discussions and articles with one common denominator--the search for ways to implement research and development (R&D) at a faster rate. /The series/ provided a platform to scientists, researchers, designers, representatives of the industry as well as economic managers and party officials. In the conclusion of the series we requested the vice chairman of the State Commission for R&D and Investment, Eng Zdenek Smely, ScC, the director of the sector of the economic department of the CPCZ Central Committee, Eng Jozef Kundek, the first deputy chairman of the Slovak Price Bureau, Eng Kamil Mikulic, ScC, the manager of the investment and R&D department at the Ministry of Finances of the SSR, Anton Vancik, doctor of law, and the chief-specialist of the SSR Ministry of Labor and Social Affairs, Eng Henrich Menke, to summarize the experience and information gained in this area from the perspective of central and cross-sectional agencies. PRAVDA's editorial board was represented in the discussion by the editors of the economic policies department, Michal Ac, Karol Stetina and Jozef Supsak.

Comrade Smely began: "The series has shown considerable interest of our wide public--designers, technicians, improvers, inventors--in expediting the solution of R&D tasks in a faster and better way than thus far. This realization is very important, however, R&D cannot be narrowed down to the activity of the R&D base and pre-production stages alone. The responsibility for practical implementation of R&D is usually assigned to technical directors, chief designers or directors of research institutes, or even to researchers alone, but that is an erroneous idea. Concern for the R&D standard of a product or technology is the foremost duty of persons responsible for the production, starting with the foreman through the shop stewards, factory managers and directors of enterprises, up to the ministers.

"An economic managers must study a great volume of data related to his own production. He must know the properties and parameters of the goods he manufactures and the amount of energy and materials they consume. Furthermore, he must know the type of packaging, transportation and marketing of his product and its use by the consumer. In addition, he must also be aware of what his competition is doing, what kind of production technology does it operate and what is the standard of its goods; /he must be informed/ about the situation of R&D in his field in the world. Moreover, he must be aware of our own and foreign political-economic concepts. R&D policies of an economic manager are based precisely on his confrontation of such data with the conditions of the production under his management. Then he can foresee several years ahead whether his product meets world parameters, or when it will lose them.

/Question/ However, the actual situation is different...

/Z. Smely/ Unfortunately, that is true. Our economic managers have been dealing thus far mainly with operational plans for periods of ten days, three months and one year. They often work as substitutes for supply officials because today it is a great problem to get the spare parts, various necessary components or subdeliveries; the supply official is frequently unable to cope with it, so the director must tackle it. This situation must end once and for all because when a product is no longer marketable, it is too late to call science to rescue us! In such a case new facilities must be built and a new production launched, and meanwhile years have gone by. The lag drags on and may get worse. However, our factories do not report promptly their needs for innovation because in most cases they are not interested in new techniques. They need huge supplements and funds for their production and when they recieve them, they no longer need to improve the technical standard of their products at all because the enterprise has to fulfill first of all the indicators of the plan. Sometimes it seems to me that the purpose of our enterprises is to meet their indicators rather than to manufacture products of good quality."

/Question/ From what you have said it follows that innovations are not being approached from the proper end. Is it not true that this should start with the R&D base?

/Z. Smely/ Our R&D cannot cover all our needs for innovation of our production. It is only one source of innovations. We should use it only when we cannot obtain another /source/, for example, licenses. Then there is another source--procurement of equipment and tools of production, including investments for the production sphere. If we buy a machine that makes better goods at lower prices, then we have in fact resolved the problem of innovation. An important source is international socialist cooperation and collaboration in science, research and production with the CEMA countries, above all with the

USSR. However, each participating country must be fully responsible for the quality, volume and deadlines when the works are to be completed, which is not the case today in every instance. For that reason we must join in this cooperation with greater responsibility. Another source of innovations is better utilization of R&D data, which today is a shame. Yet another source involves reduced lines of production with the implementation of normalization, standardization and unification programs. And finally, there is a very powerful source--our working people's inspired initiative, because our workers and technicians are well acquainted with their machinery and technology which they operate; they know where the hidden resources are. As a rule, the results of their creativity are prompt and inexpensive innovations.

In other words, research in itself cannot fulfill all innovation programs. Another thing is the standard of innovations without the implementation of R&D. It happens here and there that all that is done is to substitute materials and to make some technical adjustments, and then the non-innovation is touted as an innovation. That, too, stems from the pressures of the indicators which stipulate for the enterprises a certain share of innovated products. If the enterprise fails to meet that quota, it receives no bonuses. However, we cannot resolve the overall technical standard of our production in that manner.

/Question/ So we are back in a situation where the enterprise does not have to make any innovations; all it has to do is to meet its indicators. Nevertheless, the problems is that precisely those indicators must unambiguously support societywide interests, in other words--accelerate the practical technical development. Economic mechanisms must create an area from which there is no escape; there is only one way out--top-quality, efficient production at a high technical level.

/K. Mikulic/ Our price policy is using several methods and mechanisms to promote R&D. By means of prices and price supplements it creates a space to make innovations attractive for the enterprise. There is another alternative: affecting the enterprise's profitmaking by updating the prices and thus, stimulatingits interest in innovations as well. One may say that thus far we have been following more the former way. That also was one of the reasons why in comparison with foreign trade our domestic prices have not attained the required level. In the Eighth 5-Year Plan we anticipate further price adjustments. In their framework the goods in demand in foreign markets may become more profitable than the average. However, in general it is expected that the level of wholesale prices will decline.

/Question/ Well, but it is the final manufacturer who enters the foreign market. Nevertheless, he must work with components from our suppliers whose prices are not compared with foreign prices. Why then the price does not provide also their conditions necessary for efficient exports?

/K. Mikulic/ I agree. Only the exporter may face foreign markets. Those who do not export operate under the conditions of domestic price relations. For that reason we intend to make provisions already in the Eighth 5-Year Plan to make the conditions harder also for subcontractors, but it is not an easy task to create such a mechanism.

/Question/ Could not a role be played here by better cooperation between the VHJ /economic production unit/ and the enterprise of foreign trade by providing the production with data on which it could depend and which it may compare with the situation abroad? We cannot be satisfied with the existing conditions.

/K. Mikulic/ The situation is gradually improving. However, in some instances our manufacturing organizations are receiving such data, although they still are only very slightly interested in using that information.

/Question/ To stimulate interest--that is a problem of motivation and application of economic mechanisms, is it not?

/K. Mikulic/ Well, everything cannot be achieved by means of mechanisms of indirect control. After all, the general director or the director of an enterprise, for example, should be interested in enforcing the party's policies in his own place. Thus, he can affect the whole complex of economic mechanisms. It is in his power to eliminate many "friction areas" that may develop.

/Question/ That is not the case in reality, because for a director it is more imperative to fulfill the production plan--in other words, to meet the indicators, and only then it is the turn for the technological development.

/K. Mikulic/ Even a foreman should not think that way today. If a director thinks along those lines, his production organization may be meeting its production plan for this year, but there is no guarantee that it will be able to meet it in two or three years.

/Question/ Next to prices, the financial system must help accelerate the implementation of R&D achievements. In our series several economic managers and designers responsible for the tasks of technical development expressed the opinion that the principles of financing of noninvestment expenditures for R&D, contained in decree of the Federal Ministry of Finances No 163/1980 of SBIRKA ZAKONU, are obsolete and not flexible enough for practical application at this time.

/A. Vancik/ I may confirm that such voices are not isolated. In the Ministry of Finances we have been approached in the same way and the situation in the CSR is similar. That, too, served as an impetus for updating the decree. The new decree No 118/1984 of SBIRKA ZAKONU has been in force since the beginning of this year. As compared with the practice thus far, the basic difference is that it makes it possible to finance from a single source noninvestment needs of R&D other than operations connected with the fulfillment of the plan. Thus, it also makes it possible to procure abroad industrial rights and R&D data (passive licenses) as well as to acquire nonmaterial results of the fulfilled tasks of the R&D plan from other organizations.

/Question/ In enterprises and VHJ's we have encountered the following argument: the Koruna is the monetary unit in investment and noninvestment funds, but in reality there are two /units/, one of them "round" and the other "square." Still, the "square" koruna cannot buy any mchinery or equipment, although in the course of R&D implementation it will be obvious that it is an essential prerequisite for a successful completion of the task.

/A. Vancik/ In this respect the new decree has opened some new opportunities. Procurement of appliances, machinery and equipment as well as necessary adaptations of buildings for continuous implementation of R&D may also be financed from noninvestment funds. Capital assets that will also serve implementation of the solutions of the task may be financed with the approval of superior agencies. Naturally, in such cases the organization itself must provide the necessary financial resources. The above-mentioned financing options, however, do not apply to budgetary, cultural and educational support organizations of the R&D base because all their needs are financed from the state budget.

I should like to explain one more thing--why the funds in our national economy are still divided in this manner. Some machinery and equipment are accounted for on the statewide basis. We make their sales contingent on the total amount of investment funds we may use in a particular period. There are some other reasons. Some organization speculate with the drawing of financial funds. There were cases where under the guise of drawing of fund for R&D or VHJ used such funds to buy weekend cottages, passenger cars or trucks... Or it purchased some other machinery and equipment which had nothing to do with R&D.

/Question/ What other major changes does the new decree contain?

/A. Vancik/ It renders residual R&D funds fully transferable to future years. Bank credits have become a source of R&D financing. The conditions for the financing of capital investment have been

fundamentally simplified. /The decree/ introduced transfer of nonmaterial achievements stemming from completed tasks of the R&D plan and of objects of the type of capital assets that had been created, developed or left over from the solution /of the task/. They are accessible to every organization sharing in the financing of the project.

/Question/ Let us turn to another sensitive area--rewards. The principles of individual material incentives are based on appropriate regulations, but their practical application poses a worse problem...

/H. Menke/ Problems are caused mainly by leading managers of organizations who are somewhat reluctant or lacking sufficient interest in rewarding their top experts in a differentiated way. Test runs of accelerated R&D offer now relatively broad opportunities. Early this month we were assessing our experience gained in this experiment; we found some astonishing facts. Only 43 of the 57 organizations of the SSR Ministry of Industry had applied the principles of the experiment. Only 2.6 percent of all employees in those organizations had been rewarded according to the new regulations.

/Question/ May not the slow, 1-percent growth of wages payable in organizations be also a handicap?

/H. Menke/ It is true that the austerity model for the growth of wages payable applies in the Seventh 5-Year Plan, but that cannot stand in the way of differentiated rewards... have found even overlooked opportunities for grants of rewards, which may amount from Kcs 5,000 to 50,000, to individuals who had been particularly successful in their solution of R&D tasks. Last year not one general directorate in the SSR's Ministry of Industry applied to its superior agency for this kind of rewards... Only sporadically did /the directorates/ take advantage of the opportunity to grant personal awards to top experts. The SSR's wood-processing and furniture-manufacturing industries were the only ones to grant personal awards in amounts up to Kcs 4,500. It seems that the social aspect and the conservative thinking and practice of our leading managers are deeply rooted.

/Z. Smely/ The social aspect is but one undesirable part of the problem. Our leading managers must apply the most objective criteria possible when rating the work of their people; they must have a system to gauge the efficiency of creative work. In the research institute where I used to work I tried to rate the achievements of our engineers. I introduced records of their professional performance. Individual researchers, including the managers, had their personal cards in which all their significant achievements were entered--in other words, the task they had completed, the social benefits from

its implementation, the number of inventions they had registered. And do you know what we discovered? In only two years we learned about individual researchers what socially useful projects they had completed and whether or not their work benefitted our economy. Of course, there was also some griping. Certain individuals opposed the introduction of such criteria, but those were the ones who were all talk and little effort. As a matter of fact, they found that their performance records showed hardly any entries. For that vehemently charge that we were involved in superfluous paper work. On the other hand, above-average employees felt that at long last somebody had noticed their work and appreciated it. We found this system useful and its results encouraging. This is only one example which proves that criteria for rating of creativity may be developed, but it is quite another problem to enforce them in practice in the [illegible] because that calls for a great deal of courage; unfortunately, many individuals are still used to doing very little work and bring home lots of money, However, if they fail to meet the demands and requirements of creative work, if they fail to achieve results, they do not belong on the staff of our research institutes.

/Question/ Practical implementation of R&D is not only an economic but also a political task.

/J. Kundek/ I agree with you. After the 8th plenum of the CPCZ Central Committee and the session of the CPSL Central Committee, our party's work in the R&D sector gain momentum. It was not always only a matter of adopting some measures and of controlling the fulfillment of decisions. New methods of the party's control in pre-production, production and post-production stages were developed. Kraj and okres party committees in Slovakia organized R&D councils and commissions with prominent scientists, technicians and workers. They are tackling urgent problems and making projections for R&D in each okres or kraj. R&D commissions operating in factory-wide committees of the party serve as their advisory agencies. Thus, the CPSL's factorywide committees may judge in a fa rmore informed way reports and information submitted by the management of the enterprises.

On the other hand we cannot conceal the fact that not all have realized how serious the situation is; in their work they have reverted to formalism. In our experience some CPSL factory organizations had adopted nonspecific, ambiguous measures. As the saying goes, they are beating a dead horse. In other places our party organizations were satisfied if the problem of R&D in an enterprise, research institute, VHJ or ministry had been discussed at one or two meetings a year. Such a one-shot approach weakens the party's influence.

/Question/ The solution of R&D projects and introduction of marketing outputs in the production involve a controversial and risky process. Let us take the supplier-consumer relations, the tensions they generate...In its effort to advance the developments, the party organization is overcome by the conditions in the workplace and along its line it joins in the chase after materials or spare parts... In fact, it substitutes for the work of the economic management. That is not all. Somehow our economic managers got used to turn to various party agencies whenever something begins to squeak in the solution of tasks or in the production; they expect the party organization to solve their problems for them.

/J. Kundek/ This is a wrong style of work. Our party organization must perform above all the role of control of the economic management. It should be interested in finding out whether a plan of innovations has been prepared, what innovations of higher orders it includes, how was the modernization program or rationalization policy, etc., specified and how are they implemented. No less important is the area of cadre work, because communists are not adequately represented in pre-production stages. Our party organization must enhance and improve the party base by selecting candidates from the ranks of young people in pre-production stages.

/Question/ Comrade Smely, you were involved in research for a number of years; now you serve in an important position in an agency that implements R&D policies in our society. In your opinion, how can we accelerate R&D?

/Z. Smely/ We must proceed from the premise that R&D is a dynamic process in which dialectic contradictions are concealed. The accepted, heretofore used process, routine as well as indulgence usually stand against the enforcement of new, original ideas. No regulations offer a recipe for accelerated R&D. We shall never succeed in articulating universal, flawless regulations that would make everything flow smoothly, with no snags whatsoever. Only people will follow /regulations/ and it is up to people to overcome the obstacles or to crawl under them. In my own view, I believe that our system of R&D management, rewards and price policies is much too complicated. Should we follow the way of their further improvement, refinement, and patch up the holes and gaps? I think that although we may improve some defects with partial solutions, we cannot essentially change the course of developments. The time has come to weigh general approaches, control mechanisms and economic levers and to take an uncompromising stand when confronting them with the needs of R&D.

9004
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CZECHOSLOVAKIA

COST OF HOUSING, SERVICES DISCUSSED

Prague HOSPODARSKE NOVINY in Czech No 13, 1985 p 6

[Article by Eng Zdenek Filip, State Planning Commission: "Fifty-Four Billion and What They Bought"]

[Text] How Are We Doing With Regard to Services

According to thus far available data, payments for services in 1984 amounted to roughly 54 billion korunas of the total monetary expenditures by the population. However, despite their systematic growth can it be said that all needs and requirements are fully met?

The tasks with respect to the development of services, as stipulated by the 16th Congress of the CPCZ for the 7th Five-Year Plan, have been essentially fulfilled from the standpoint of the planned volume of expenditures by the populace. However, during the course of 4 years of the 5-year plan their realization was not uniform, be it for difficulties in material and technical supplies or for reasons involving the fuels and energy situation, etc. A number of deficiencies in services is subjective in character and can easily be removed through operational intervention on the part of directing organs, possibly even directly by the enterprises and organizations which provide these services.

Nevertheless, so-called paid services are not only services provided by enterprises of local production and service organizations as well as producer cooperatives but, from the standpoint of the entire level of living, include passenger transportation, communications services, services connected with habitation, recreation, payments for work and services provided by JZD's [unified agricultural cooperative], fees for driver training, etc.

Some long-term trends are occurring in expenditures by the populace for paid services:

Item	Structure in %		
	1970	1980	1984*
Rents, electricity, gas, water, sewer	25.2	33.5	34.9
Transportation and communications	29.0	24.4	23.1
Personal services, including repairs and maintenance	27.8	26.2	24.6
Tickets for cultural, entertainment and sports events	4.1	2.4	2.4
Recreation, health care	4.6	5.2	5.4
Other services provided by socialist organizations	9.3	8.3	9.6

* Preliminary data.

The above-listed numbers point to a larger structural change in long-term development which, although it indicates changes in demand by the population also reflects the influence of state interventions, primarily in the pricing field.

The Principal Component: Habitation

The largest share of the expenditures for services is acccunted for by services connected with habitation. Their volume per individual household now amounts to more than 3,400 korunas (in 1970, it was 1,565 korunas). As a result of the adjustment in tariffs, carried out at the end of the 6th Five-Year Plan, this means that:

i. conditions for habitation have improved, primarily by a change in the structure of the apartment inventory in favor of apartments of the first category and through expansion of cooperative forms of habitation;

ii. qualitative changes in the level of habitation were reflected in the growth of the average level of compensation for using an apartment (rent) to 3,720 korunas per year;

iii. the consumption of electricity and gas rose substantially; the consumption of electricity is valued at virtually 1,000 korunas per year per household and the consumption of gas almost 400 korunas.

Despite these facts, we must be aware of the quality and outfitting level of current apartments. The composition of the apartment inventory is not completely satisfactory. If the growing requirements for a better standard of habitation were to be met it would require a still more radical increase in new construction of three-room apartments and apartments with more rooms, as more support for the modernization of apartments in older buildings.

The technical level of apartments is one of the important indicators of the quality of habitation. Requirements of the population for electricity, gas and long-distance heating are basically being fully met. Electricity is in all apartments, virtually half have gas from the utility network, three quarters of all apartments have running water and more than one-half of all apartments have central heating or heating by individual building floors.

Naturally, the older apartment inventory is not as well-equipped and, thus, offers a lower standard of habitation. The increase in the need to repair the apartment inventory is reflected particularly in the historic center of cities, which have a significant number of old houses and apartments. In the capital city of Prague there is an additional perceived specific shortage of repair capacities in the desirable trades. The need for timely and high-quality repairs, which, together with the responsible selection of apartments and houses, should contribute toward the more economic expenditure of funds, is particularly pressing.

Nevertheless, we must keep in mind that people will want to live better and at a higher quality level all the time but that this does not mean, let us say, that we should increase only the useful space of apartments or double the sanitary equipment, as has been happening recently, but rather, this is connected with an entire complex of services in the settlements, including domestic and technical equipment.

As consumers, we are most interested in quality but it is lagging in a number of places. Certainly we cannot be satisfied with the knowledge that in newly constructed apartments the central vacuum cleaner device does not fulfill its function or that the elevators are frequently out of service. It is certain that, in this regard, much work needs to be done by enterprises of the dwelling economy as well as by supplier organizations which share heavily in the level of habitation.

Weak Spots in Mass Transportation

A second large group of services is formed by transportation and communications. A development of passenger transportation is currently registering a certain revival. The growth in the static and dynamic mobility of the population is considered to be a manifestation of the rising standard of living. Shortages in passenger transportation are reflected negatively on the overall utilization of free time.

This fact is mostly impacted by railroad passenger transportation. Existing shortcomings in reliability, shortcomings in hygienic conditions, the assurance of appropriate travel comfort--these are currently the greatest problems plaguing railroad passenger transportation. Even despite this fact, its share in expenditures for all passenger transportation has grown mildly (in 1980-1984 the share rose from 21 percent to 23 percent).

Limiting provisions (the discontinuation of some lines) was reflected in the stagnation of automobile transportation (its share for the years 1980-1984 rose imperceptibly from 49.1 percent to 49.5 percent). From this viewpoint it follows that there is a need to orient the development of passenger transportation toward the railroads which, with advancing electrification, will consume an important type of fuel to a lesser extent.

Nevertheless, bus transportation, when compared to railroad transportation, offers services on a higher level. Technical conditions are present for this

factor: primarily, the renewal of the vehicle inventory, the level of bus stations, the development of mechanized dispatching of travelers on regularly scheduled runs, improvements in the system of information, improvements in the cleanliness of vehicles, etc. It will continue to be necessary to improve the connection of communications, to master peak transportation periods with a sufficiently guaranteed quality of transportation; a reliable local system remains to be assured with respect to long-distance lines with the goal of creating a statewide system remaining. An important factor is also the coordination of sharing transportation services between the CSAD [Czechoslovak State Automobile Transportation Enterprise] and the CSD [Czechoslovak State Railroads].

In some large cities long-term lack of coordinated development has brought municipal mass transportation into conflict with the other transport systems. The most important problem, however, will be the relationship bewteen individual means of transportation and municipal mass transportation. However, the primary component of the solution of this relationship must be the result: the attractiveness of municipal mass transportation, which means that it must be of a high quality, reliable, rapid and safe. For the time being, these requirements are not being fully met.

Slow Pace in Communications

Even though the expenditures by the populace for communications services are growing by 3.7 percent a year the overwhelming number of facilities are already operating with unsuitable equipment. In comparison with world tendencies, the introduction of new technology in communications is proceeding slowly.

The Czechoslovak Socialist Republic ranks among the developed nations with respect to the extent and equipment of its postal network. Currently, the dispatching process can be speeded up only by the introduction of the automatic processing of shipments, which was initiated a short time ago. The increase in accessibility and availability of postal services is being accomplished primarily by the length of business hours--and these cannot be extended much more. The direction toward improvement should more likely be the introduction of self-service equipment for the receiving of postal shipments.

In telecommunications the development of the telephone network is clearly proceeding at a slower pace. Problems are concentrated primarily around apartment telephone subscriber stations. Following the introduction of new tariffs in 1979 the demand for new subscriber stations temporarily declined. The current status of pending requests for new telephone subscriber stations (150,000), given the current investment funds available, does not permit a faster pace, however. In 1984 15 percent of the apartment telephone subscriber stations were tied in to group facilities, which, partially, limits their entry into the public network.

Further development of telephone services must be seen in the complete automation of both local and long-distance and international services. Modern

switching and transmission systems, as well as diagnostic devices for the automatic control of services should contribute to this development.

Item	1980	1984
Number of apartment telephone subscriber stations (in millions)	1.12	1.24
Apartments equipped with telephones (in %)	22.90	24.10

As far as demand on the part of the population is concerned telegraph services and wired radio (stagnant) are being fully met.

Laundry: At Home or in a Laundry?

Paid services of a repair character, maintenance and custom production of consumer goods, communal personal services, building services for the populace, horticultural services, etc., are primarily the purview of local production and service enterprises and production associations.

This situation was critically dealt with, particularly by the 6th Session of the Central Committee of the CPCZ in April 1982. A number of provisions were undertaken in realization of its conclusions. Nevertheless, in some locations or with respect to some types of services, shortcomings persist particularly with respect to quality and availability of work and services.

Of the most significant types of service with respect to volume, the following have increased and improved substantially:

i. building activity and repair, as well as maintenance and modernization of the apartment inventory (even if significant differences exist in various types of activities aimed at satisfying population demand. Roofing services are lagging, as are glazing and trim painting. Workers are coming to grips better with interior painting work and heating problems);

ii. horticultural services (which were essentially influenced by the free formation of prices; however, the population frequently is not satisfied with the selection and quantity of produce);

iii. repairs of tires and inner tubes, including recapping (however, delivery times are long. Difficulties in meeting the demand are connected with the shortage of repair materials and obsolete mechanical equipment);

iv. repairs and maintenance in radio, television and tape recording instruments (repairs of television sets are, for the most part, taken care of directly at the customer's location; delivery deadlines are among the shortest and the quality of repair services performed is satisfactory).

In some other areas of work and services, there is some stagnation caused by lower population demand.

With regard to laundry services, there is a shift in services performed for the benefit of organizations, which is, of course, undesirable in the sense of rendering services to the populace. The population is orienting increasingly to the use of home or house washing machines and doing the laundry at home is more advantageous to families--it is quicker and more readily accessible. Thus, a basic question arises: Is it possible to constantly anticipate a rising demand with respect to this service when more and more households are acquiring automatic washing machines?

Following the price increases in 1982/1983, the demand for taxi service, custom sewing of garments and services provided by cleaning and dyeing establishments declined even more palpably.

Problems persist with regard to repairs of highway vehicles because it has thus far not been possible to eliminate a considerable shortage of spare parts. Certainly, in this area, the do-it-yourself movement or odd-job repairmen exert their influence. It is thought that this form of repair work currently accounts for about one-fourth of all repairs done.

Overall--even despite certain shortcomings--enterprises of local production and services and production cooperatives essentially fulfilled the priority tasks which characterize their social missions.

It will continue to be necessary to seek additional possibilities for expanding services, particularly in remote locations; to create centers for the comprehensive collection of services, both in centralized communities, as well as in cities; to utilize small workshops and additional supplemental forms for various types of artisan work, to seek possibilities for shortening delivery deadlines and for adjusting business hours, all of which, however, places significant demands on investment funds, as well as on manpower.

Recreation and Travel

The demand for other services, such as cultural, sports, recreation, health care and services provided by socialist organizations which fulfill irreplaceable services to society, are being essentially met.

However, the factor of free time and travel connected with it are interesting. Free time is essentially influenced by changes in internal and external economic conditions which is manifest in the greater reluctance of the populace to spend money for travel and for other recreational services.

As a result of higher costs of transportation in view of prices for motor fuel, the number of weekend trips decline somewhat which, on the other hand, is compensated for by a greater orientation toward journeys of a longer duration, an increased amount of interest in enterprise-sponsored recreation and in private accommodation. The utilization of bed capacity varies by region. To promote greater and more effective utilization of bed capacity it is desirable to channel demand for travel even to less frequented regions and for sojourns in the off-season.

It will continue to be necessary to devote attention to expanding the level and quality of the entire spectrum of services by extending the period of sojourns, by increasing the share of organized travel and by expanding the program offerings of travel agencies.

Paid services represent a very serious area. After all, the development of services in such a way that they would gratify all people, even in remote locations and at an appropriate quality level raises many questions as to how to proceed. That is why it will be necessary to adapt the direction of additional development with respect to paid services by the populace to changes in the life style, in household equipment and to the standard of living and, thus:

i. develop services connected with raising the level of habitation, raising the quality of construction repair work and maintenance and assuring the modernization of apartments on a priority basis;

ii. raise the quality and timeliness of repair work pertaining to durable goods, particularly of electric appliances and passenger automobiles;

iii. improve services pertaining to passenger transportation, particularly of municipal mass transportation connected with commuting to and from work;

iv. create conditions for the further development of travel services and recreation services and, in this regard, better and more effectively utilize all existing accommodation, feeding, spa and other facilities.

5911
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CZECHOSLOVAKIA

AGRICULTURAL EQUIPMENT FOR EIGHTH 5-YEAR PLAN VIEWED

Prague MECHANIZACE ZEMEDELSTVI in Czech No 2, 1985 p 51-54

[Article, author not given: "Agricultural Equipment for the Eighth 5-Year Plan"]

[Text] General engineering program to increase the technico-economic sophistication of Czechoslovak agricultural equipment.

The program objectives of the 16th CPCZ Congress place exceptional significance on the achievement of maximal self-sufficiency in food production and on the tasks which this implies for the agro-industrial complex. In accordance with resolutions of the highest party agencies the presidium of the federal government discussed at the beginning of this year the "Production-Technical Strategy for Agricultural Engineering to Assure the Increased Technico-Economic Sophistication of Agricultural Equipment and Machinery.

A component of the adopted resolution of the CSSR Government Presidium was also a Set of Measures to Assure Deliveries of Agricultural Equipment Conforming to the Newly Formulated "Set of Machinery".

Set of Machinery for Eighth 5-Year Plan

During discussions of the strategy for the development of the production-technical base for the newly formed agricultural engineering economic production unit [VHJ] Agrozet by the federal government presidium the decision was made to implement gradually measures to increase the technico-economic sophistication of machinery delivered to our agricultural sector. With this objective in mind a comprehensive analysis was conducted of the sophistication of domestic and imported equipment and comparisons were made between these and state-of-the-art foreign models. The results of this analysis were used as the basis for the newly formulated "Set of Machinery for the Comprehensive Mechanization of Czechoslovak Agriculture in the Eighth-5 Year Plan".

This project, which was conducted by the Federal Ministry of Agriculture and Food, involved more than 340 experts from production research, colleges, and practicing farms. The draft of the new "Set of Machinery" has resulted from a critical analysis of the current status of mechanization of Czecholsovak agriculture and promises comprehensive assurance of the development plans for livestock and plant production. It is integrated into the current international division of labor within the context of the DEMA countries and further

refines it by increasing the demands made on the sophistication of imported equipment. The main emphasis has been on effectively mechanizing plant and livestock production under the soil and climatic conditions prevailing in Czechoslovakia.

The technico-economic aspects of the new "Set of Machinery" for specific sectors of agricultural production conform to the following primary criteria:

--achieving a reduction in energy and material intensiveness by implementing more effective procedures;

--reducing overall losses during production by outfitting machinery with automated components to maintain work operations within optimal zones;

--minimizing capital requirements by selecting the most appropriate engineering solutions, in particular those which make possible a high level of operational machine utilization;

--the introduction of dedicated machine lines and systems, the comprehensive installation of which will maximize their overall impact;

--considering the possibility of multiple use of individual machines throughout the year;

--assuring the proper handling of harvested production and cultivated land;

--minimizing unfavorable performance in the servicing and operating of machines by respecting standards of safety, hygiene and work ergonomics in machinery design.

The entire "Set of Machinery" for the comprehensive mechanization of Czechoslovak agriculture consists of 780 items, divided into 32 groups of machines. Each machine has established for it agrotechnical parameters, its potential uses for the Eighth 5-Year Plan, and the way in which it will be produced and delivered. Of the total of 780 items, the general engineering sector will provide 224 from its own facilities and another 187 models through imports from other CEMA countries, on the basis of signed specialization and cooperation agreements. In the engineering facilities of the agriculture and food sector 249 models of machinery will be produced, with deliveries of the remaining 120 machines coming from the Federal Ministry of Metallurgy and Heavy Engineering [FMHTS], the federal Ministry of the Electrotechnical Industry [FMEP], locally managed enterprises and cooperatives.

The total volume of machinery deliveries from the general engineering sector, which amounted to about 50 percent of the needs of the agriculture and food sector in the Seventh 5-Year Plan, will increase moderately in the Eighth 5-Year Plan. Meeting the delivery schedules for equipment that meets the specifications of the new set in the Eighth 5-Year Plan will require the successful

completion of a number of tasks both in the area of R&D, and in the area of modifying facilities for new products. No less important will be successful negotiations with our partners in the CEMA countries concerning deliveries of modernized or completely new types of machinery. This is a matter, in other words, of a demanding implementational program, the fulfillment of which must be participated in by the R&D, production and commercial/delivery divisions of the engineering, agriculture and foreign trade sectors.

Implementation Program for Main Group of Machinery

The implementational programs are based on an analysis of the current status of the machinery stock available to individual sectors of plant and livestock production, both in terms of numbers and in terms of the technical sophistication of the machinery in use. The main objective is to formulate concrete proposals and measures, the implementation of which during the Eighth 5-Year Plan will increase the technico-economic sophistication of delivered equipment so as to meet the agrotechnical and zootechnical conditions specified in the "Set of Machinery".

Soil Cultivation and Sowing

The stock of equipment available to this sector was influenced negatively by inadequate deliveries during the Sixth 5-Year Plan and by the failure to meet its needs for certain types of machinery for tilling (disc tillers), for cultivation on slopes (rotating ploughs) and for the working of heavy and stony spoils (heavy combines, crushing machines for earth clods, collecting and crushing machinery for rocks). Because of the variability of soil conditions in the CSSR, a proper assortment was not available of mold boards and plow shares, which had a negative impact on the energy efficienty of some soil preparation operations.

During the Seventh 5-Year Plan this situation has been improving gradually. The production base for this group of machines was strengthened by the addition of the former Roudnice Machine Works and Foundry, the Rozmital AGRO plant, and additional State Tractor Stations. This created the conditions for an increase in production and deliveries of a number of machines that had been in short supply. The annual production of plows will increase by 30 percent, the production has been increased of plough and disc tillers, and the quality of steel for plowshares is being worked on in cooperation with the metallurgical facilities of the FMHTS. The production is increasing of universal planting machines for grain by more than a factor of 2 and the program of innovations for them that is a part of the science and technology plan is aimed at increasing their reliability and the quality of sowing, mechanizing filling operations, and reducing energy consumption. The startup of mass production of these new types of planting machines will begin gradually starting in 1985. Deliveries of appropriate types of rock collectors and cultivators with a swath of 3 meters is being negotiated with our partners in the USSR and in Poland.

Fertilizing and Plant Protection

The mechanization of fertilization and plant protection has not yet been fully worked out, especially in terms of the availability of the appropriate machinery. There has long been a shortage of efficient self-propelled loaders for handling artificial fertilizers and cow manure. The spreaders that are available for artificial fertilizers do not meet agrotechnical requirements either in terms of performance or in terms of the smoothness of application. Among the most needed machines in this area are a proper spreader for the supplementary application of fertilizer during the growing season and mechanized systems for the storage of fertilizers. Machinery for the application of liquid fertilizers also does not meet performance specifications.

Because those items that do not completely meet our specifications have been produced within the context of specialized agreements on imports with CEMA countries, we opened last year negotiations with specialized producers in Hungary, Bulgaria and Poland about improving the technical sophistication and assuring the development and production of those machines we are still lacking.

If positive results are not forthcoming the general engineering sector will explore the possibility of producing these items domestically, by acquiring a license if necessary. A decision has already been made regarding a tank for the transportation of liquid artificial fertilizer with a carrying capacity of 8-12 tons, which will be produced by the Federal Ministry of General Engineering [FMVS] beginning in 1987, and loading and unloading equipment for warehouses for artificial fertilizer with a capacity of 25 tons per hour, the production of which will be handled within the food and agriculture sector.

Equipment for Fodder Production

Requirements for this equipment have been heavily influenced by the limitations that have been placed on drying technologies that consume large amounts of diesel fuel and light heating oils, and the resultant shift to the use of the less energy intensive preservation and storage of fodder.

Equipment for the cutting and harvesting of fodder crops comes mainly from domestic producers. The adapters that have been lacking for adjusting the cut on rotating machines have been designed and will be placed into mass production beginning in 1986.

A number of machines have been designed and some already delivered for work on sloped plots. These include the self-propelled machine for recultivating meadows and pastures, the ZTRS 310-Kabar, the harvesting system based on the ZETOR-Horal tractor with a rotational cutting machine, and a Turner, side Delivery rake and collecting trailer, and the MT-8-046 motorized harvester from the Martin Heavy Engineering Plant. The modernization of self-propelled harvesters will continu by outfitting existing machines with automated controls and with devices to protect the cutting drum from damage by foreign objects. Large capacity haylofts with bulk handling equipment are a recent innovation. Deliveries of 50-ton per hour stationary cutters, which we have been lacking and which Poland specializes in producing, have been negotiated as part of coordinating plans for the Eighth 5-Year Plan, in numbers that should fully meet demand.

Growing and Harvesting of Grain

Equipment for this group of machinery is being provided through the international division of labor, primarily with imports from Romania and the GDR. The harvest combines from the GDR and equipment for post harvest processing of the grain are composed both of machines of Czechoslovak manufacture and imports from the GDR, and are quite sophisticated. We are not yet completely satisfied with the harvesters for sloped terrain being delivered currently by Romania. Nor are enough machines of the right design currently available for the compression of straw into large bales and combine harvesters with a throughput capacity of 12-16 kilograms per second. During negotiations with our partners from the CEMA we have been promised demonstration models of hay harvesters from the USSR that produce large square and round bales, the proven Soviet combine Don, and a new model of Romanian combine, the Gloria 12M. In the context of R&D cooperation a design will be worked on with a combine manufacturer from the GDR of a machine for removing weeds and field waste.

Equipment for Sugar Beet Production

The even sowing of sugar beets will be assured by appropriate machinery produced domestically (licensed if necessary) and imported machines from Yugoslavia, Startup of the production of the Czechoslovak precision sowing machine is planned for the start of the Eighth 5-Year Plan.

The harvesting equipment currently in use for sugar beets is not completely adequate, mainly because of the large losses and damage to bulbs caused by the 6-row harvesters imported from the USSR. Under an agreement between the FMVS and the FMZVz comparative tests were undertaken of selected foreign harvesters, which led last year to the selection of an appropriate machine for licensed production. By mid-1985 facilities will have been constructed to handle the production of 250-300 units per year. Over a 2-3 year period machines that have already been imported will be completely rebuilt so that they better correspond to our agricultural conditions.

Moreover, the harvesting of fodder beets on smaller plots will be handled, beginning this year, by a 3-row trailer-harvester produced by the Agrozet VHJ. Deliveries of certain items currently in short supply such as equipment for zone spraying, applicators for granualted pesticides, and others will be obtained through imports or by domestic developments so that by the end of the Eighth 5-Year Plan the proper equipment for sugar beet raising will be available.

Potato Raising and Harvesting

For the sowing of non sprouted potatoes the appropriate machinery is produced by Prostejov Agrozet, and production is ready to start on a new sowing machine for sprouted potatoes under license from GRUSE in the GDR. Requirements for modernized 1- and 2-row harvesters for early potatoes and for work on hilly terrain will be covered beginning in 1985 with deliveries from the GDR.

Imports of mobile potato sizers with a capacity of 8 tons per hour have been arranged with Poland. During the discussions of working groups for economic and R&D Progress with the GDR and Poland we have brought up our requirements for increasing the technical sophistication of other components of the machinery imported from these countries.

We have not yet arrived at the best mix of equipment for post harvest processing and storage. Both the FMVS and the FMZVz participate in the production and delivery of this machinery. A full line of equipment should be available from these sectors by 1985 at the latest.

Corn Raising

The equipment development involved in modernizing the techniques for growing corn is characterized by attempts to increase the swath cut by the machines, merging sets of machines, and by making use of greater operating speeds. In this regard, operations in the spring and during preplanting soil preparation are likely to involve greater numbers of larger tractors pulling the proper implements to assure the preparation of a high quality planting bed. The problems with the sowing of corn should be improved, as with sugar beets, by the new precision sowing machine of domestic manufacture that has the additional capability of spraying herbicides on rows and spreading granulated pesticides.

The harvesting of grain corn will be handled mainly by modified combine harvesters with 4-6-row adapters imported from Hungary and the special KSKU-6 corn harvester from the USSR. The divided harvesting of corn will be handled by modified combine harvesters and self-propelled SPS-35 cutters with multiknife drums and FKA-503 adapters from Hungary.

The harvesting of silage corn will be handled by self-propelled cutters produced primarily by the FMVS with wide swath adapters, and at smaller enterprises with trailer cutters.

The proper ploughing under of the remains of the corn harvest has been helped substantially by the PH-2-020 disc harrows and the 5 PHX 40-H and 5 PHX 42-1-H plows from Roudnice Agrozet, both of which are in production.

Agricultural Transportation

The implementation program includes measures to provide transportation equipment for the changing structure of agricultural transportation, with emphasis on special purpose trucks and containerized transportation systems. Tractor transportation will gradually be limited to internal enterprise tasks.

This trend is fully evident even in deliveries of transportation equipment in the current 5-Year Plan. In the first 3 years of the Seventh 5-Year Plan Czechoslovak agricultural enterprises took delivery on 5,870 special purpose trucks in the AGRO line and it is projected that with deliveries of 1,000 tank trucks on TATRA and LIAZ truck chassis the requirement of the 11th nationwide United Agricultural Cooperative [JZD] Congress will have been fulfilled, namely

the delivery to Czechoslovak agriculture during the Seventh 5-Year Plan of 10,000 special purpose trucks. Delivery targets have been exceeded by almost 50 percent for self-propelled and trailer-type loaders in the UN, UNC, UNK, and KNA lines. Deliveries have also been made of the first 155 loaders designed for the ST 180 heavy tractors.

The "Set of Machinery" mandates, to improve the efficiency of tractor transport, the implementation of measures to assure deliveries of multipurpose dumping trailers for tractors with working capacities of 4-6 tons and 12-16 tons, and a multipurpose tank carrier with a capacity of 12-16 tons. In the automotive transportation system innovations are projected for the trucks used to transport concentrated fodder and bulk materials, for the transportation of animals, and equipment with a working capacity of 18-22 tons.

It is however essential, given the difficulties involved in the development and production of new transportation and especially containerized systems, that the agrotechnical and zootechnical specifications and specific needs be spelled out so that the decisions that must be made to maximize the impact on the national economy can be made with the appropriate information.

Tractors

Zetor tractors produced in Martin and in Brno fully correspond to the technical requirements of our agriculture. These factories are also meeting delivery targets for the current 5-year plan. In the first 3 years they even exceeded delivery targets. They have delivered 21,500 tractors out of a total target for the 5-year plan of 29,900 units. This means that it is now possible to attain the original objective of the food and agriculture sector of deliveries of 35,000 tractors.

Continual attention is being devoted to the modernization of the existing product line. This year begins at Brno Zetor the fifth modernization of the UR 1 tractor, and the B-modernization of the UR II tractor at the Martin Heavy Engineering Plant. These innovations will bring a reduction in standard fuel consumption, increased hydraulic performance, greater universality, and improved work ergonomics in the operator's area. This year production will start at Brno Zetor of the Z 5011 tractor with 36.8 kilowatts of power (50 horsepower), which is currently in great demand in the agricultural sector, a situation that was not the case in the past.

For the next 5-year plan a new generation of tractors has been designed, the UR III and UR IV, which will correspond in every way to the best competitive models. It is highly unfortunate that the tractor program continues to be postponed in the state plan for capital investment, and especially that delays keep occuring in the construction of facilities for the production of new tractors at the Brno Agrozet VHJ.

The development strategy also calls for the beginning of production of a small number of specialized tractors essential for specific operating conditions, including mountain modifications, tractors for soil improvement, tractors to carry tools for vegetable raising operations, portal-type tractors and tractors for vineyards.

In addition to the above tractor model lines, the Prostejov, Jicin and Roznava Agrozet plants will continue with the development of smaller tractors and small agricultural equipment. The annual production of small tractors will be doubled to 5,000 units and a line will gradually be developed with 4 models with 8-20 kilowatts of power and a wide assortment of implements and adapters. For the MF and Terra lines of small agricultural equipment production will increase to 17,000 units and 25,000 units respectively, with market demand projected for the upcoming 5-year plan of 35,000 units annually.

Equipment for Cattle-Raising

The equipment available for loading fodder, cleaning up manure and for milking is state of the art. Innovative programs will focus on suspended transportation, increasing the reliability of equipment for cleaning up manure, and the automation of feeding lines. The R&D Plan will include the design of a dosing unit for supplementary fodder rations for drive-through stables.

The thorough modernization of milking equipment has also been assured. Completion of design work on a new milking machine in a mobile and piped version will improve substantially the quality of milking. The mobile version makes possible individual care, and will be able to be retrofitted with automated components to meet the needs of agricultural practice.

The introduction of automated electronic components for the loading of fodders, milking, and the efficient management and control of cattle herds will contribute to further improving the equipment available for raising cattle.

Equipment for Swine Raising

The development of systems for the housing of swine is in line with the world trend towards multifloor cages. This makes possible the efficient mechanization and automation of technical procedurers. Feeding techniques based on dry mixtures has made possible the full mechanization of the storage, distribution and dosing of fodders and also made it possible to utilize partial automation. In this regard the technical sophistication of equipment for the production of slaughter swine is more than adequate. A greater degree of automation must be achieved, however, in programming dosages of fodder, in recording their consumption, and in other areas. Also more than adequate is equipment for the preparation and development of moistened and liquid fodder, equipment for the removal of manure, and housing systems.

The appropriate equipment is not available, however, for accelerating the transition to moist feeding and the greater utilization of secondary, nontraditional sources of fodder. This is mainly a question of stationary equipment for the preparation and distribution of liquid fodders by pumps and pipes which is essential for the transition to liquid fodders on large farms. We also lack washers for root crops and crushing equipment for state farm fodders.

This equipment as well, under a mutual agreement with the agriculture an food sector, will be provided for the Eighth 5-Year Plan either domestically or through imports. The FMVS has already begun development of feeding carts for

liquid fodders capable of being placed in raised stalls, while the GDR will provide us for testing purposes with stationary equipment for the preparation and distribution of liquid fodders, with washers for root crops and crushers of state farm fodders.

Conclusion

The program of the general engineering sector for increasing the technico-economic sophistication of agricultural equipment includes, in addition to the above mentioned programs, also measures related to equipment deliveries for the growing of legumes, oil plants, fiber plants, fruit and vegetables, grapes and other sectors of plant and livestock production.

The scope of this task and the demands it makes on R&D work, establishing the facilities for new production, and maintaining the long term operational reliability of the delivered equipment place it among the most complicated facing the general engineering sector.

The difficulty of the program is complicated further by the fact the today's agricultural equipment are complex, highly developed mechanisms the production of which involves the most modern design components, hydraulics, hydrostatics, electronics and programmable controls. All of this places extraordinary demands on the qualifications of employees involved in research, production, and in all areas of the management and organization of production processes.

These are difficult tasks, but feasible ones. They are feasible because they are based on the tradition and the experiences of workers, technicians and engineers in research institutes and production enterprises of our agricultural engineering sector who in the past have on numerous occasions demonstrated their willingness to contribute with specific actions to the socialization of our agriculture. This justifies our conviction that the machine builders along with the agriculturalists will honorably fulfill one of the main programmatic tasks of the 16th CPCZ Congress: "Assure food for the people with the maximum possible self-sufficiency in its production."

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CZECHOSLOVAKIA

NEW R&D FACILITY OF "ROBOT ASSOCIATION" OPENED IN PRESOV

Prague RUDE PRAVO in Czech 25 Mar 85 p 1

[Article by Michal Strida: "A New Stage of Cooperation"]

[Text] Presov [from our correspondent]--The operations building of the international R&D association Robot was opened on Saturday in Presov. In attendance were a Czechoslovak delegation led by vice-chairman of the CSSR Government and chairman of the State Commission for R&D and Investment Development, Jaromir Obzina, and a Soviet delegation led by the Minister of the Machine Tools and Equipment Industry of the USSR, Boris Balmont.

The opening of the headquarters of this association was also attended by Miloslav Hruskovic, candidate for the CPCZ Central Committee Presidium and secretary of the CPS Central Committee, Vaclav Vacok, vice-chairman of the SSR Government and chairman of the Slovak Commission for R&D and Investment Development, Jan Pirc, senior secretary of the East Slovak CPS Kraj Committee, and other representatives of party and state agencies from the East Slovak Kraj.

After an inspection of the association headquarters, which resulted from an extensive reconstruction of the building of the former pedagogical faculty in Presov, those in attendance also visited the Research Institute of the Metals Industry, where at prototype, implementational and experimental workstations they were acquainted with the most recent work of the institute in the development of industrial robots and manipulators. Here they were also shown prototypes of 2 robots and 1 manipulator which have already been designed cooperatively by our own and Soviet engineers. These are the UM-160 robot, for use in the machining of machine parts up to a weight of 160 kilograms, the MTL-10 manipulator, for use in the extraction of castings from pressure casting machinery, and the AM-5 robot, for use in automated surface finishing (the number always indicates the maximum weight that the robot is capable of handling). Those present were interested in the progress on an additional 6 robots and manipulators now under development by Czechoslovak and Soviet engineers in the joint design, development and engineering offices of Robot, which was founded in 1983, and the successful activities of which formed the basis for the establishment of the international R&D association Robot.

The specific tasks of the association in the near future were discussed by both delegations a a joint working session. They agreed that everything possible will be done to develop fully the activities of the association in the next 2-3 months, as specified in the agreement signed on Friday in Moscow by the deputy chairman of the Council of Ministers of the USSR and the chairman of the USSR State Commission for Science and Technology, Gurij Marchuk, and the vice chairman of the CSSR Government and chairman of the State Commission for R&D and Investment Development, Jaromir Obzina. This year the association will employ 120 people, 30-40 of whom will be Soviet experts. Half of the work force will be scientific and technical employees. Okres and kraj organizations have already provided all the material requirements for their work.

As leaders of both delegations noted, it is essential that this facility run smoothly because the Czechoslovak and Soviet experts working here will become the staff that coordinates the activity of 8 or our own and more than 20 Soviet production and research organizations which will both contribute to the work of the association and utilize the results of the work conducted here. Facilities of both the Czechoslovak and the Slovak Academies of Science and Czecho and Slovak colleges will also share in the work of the association.

By the end of the Eighth 5-Year Plan this association, which will function on Khozraschot principles, is expected to generate almost Kcs 400 million of output annually.

Comrade Miloslav Hruskovic spoke at the conclusion of the session. He praised the integration of the capabilities of the CSSR and USSR in the development of robotics technology complexes and flexible production systems which will become a contribution to the shift of the economies of both countries to an intensive development path, as mandated by the resolutions of the senior level economic conference of the CEMA member countries in June 1984. On behalf of party agencies he promised the association Robot effective cooperation and comprehensive assistance and wished it much success in its activities, which will bring progress to both of our countries and, in the future, to all socialist countries.

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CZECHOSLOVAKIA

BANK DIRECTOR VIEWS ECONOMIC INTENSIFICATION OF MONETARY PLAN

Prague HOSPODARSKE NOVINY in Czech No 3, 1985 pp 1, 4

/Article by Eng Jan Stejskal, director of Czechoslovak State Bank: "With the Principle of Return--the Monetary Plan and Its Intensification"/

/Text/ From the assessment of our economic development made at the 12th Plenum of the CPCZ Central Committee it follows that along with the gradual acceleration of our economic growth over the past 2 years the intensification factors began to appear more conspicuously in the forefront and that the trends toward greater efficiency are being enforced more consistently in all of our national economy. In agreement with these conclusions the state national economic plan for the current year and concurrently also the monetary plan, are focused on the achievement of further economic advances mainly by more thorough application of the factors of intensification, and on strengthening the balance within our economy as well as in foreign trade.

The significance of the CSSR's monetary plan, which outlines the accumulation and use of resources of credits and foreign exchange, is rising along with the more insistent demands that the efficiency of the entire process of replacement be intensified and economic balance reinforced. This is directly linked with the role of the monetary plan, which includes consolidating our monetary balance and the stability of our currency. The monetary plan is based on balanced foreign exchange relations and actual credit sources which are used to enhance production efficiency.

The monetary plan, which has become one of the vital instruments of the planned economic management, is used in the entire credit system in order to achieve the best possible material and value relations in the whole process of replacement. The financial-economic mechanisms must therefore operate efficiently so as to achieve the objectives of our party's economic policies and to fulfill the tasks of the state plan and of the monetary plan in every sector of our national economy. This demand also distinctly raises the co-responsibility of the credit system for the successful achievement of the plan for the current year and for the entire 5-year plan.

The task of the monetary plan and of the credit system was stressed in the following report excerpt by the Presidium of the CPCZ Central Committee,

last December: "Bank executives must apply the monetary plan of the CSSR and the resources of credits and foreign exchange in support of accelerated processes of intensification, R&D, more efficient utilization of our production assets and faster inventory turnover, the fulfillment of the programs of rationalization and modernization, and all progressive tendencies. The demanding character of the tasks for the coming year calls for better and more efficiently taking advantage of the authority and opportunities on the part of the managers of our financial and banking system, in order to press for a comprehensive and even fulfillment of the plan from the beginning of the year, and for vigorous enforcement of our public interests."

Slower Growth of Credits

In conjunction with the tasks of the monetary plan, the bank will concentrate its credit and foreign exchange policies on the fulfillment and desirable overfulfillment of the tasks and objectives of the Seventh 5-Year Plan in the conditions of 1985, namely:

> -- to support emphatically and to speed up the process of intensification, above all by means of R&D;
>
> -- to strengthen the balance in foreign relations and to meet all tasks aimed at reducing net indebtedness of our state in free exchange, as stipulated for the Seventh 5-Year Plan;
>
> -- to cover the needs for credits in our economy exclusively from our domestic credit resources;
>
> -- to continue to consolidate our economic and monetary balance by relatively slowing down the overall growth of credits in conjunction with the rise of national income and the projected accumulation of credit resources.

In accordance with this conception it is planned to increase our domestic credit sources by Kcs 22.2 billion (higher savings of our population will share 68 percent in that amount). The dynamism of national income is planned at 3.2 percent, and thus it is envisaged that credits will be increased 3 percent (including specific-purpose credit funds), of which operational credits by Kcs 8.5 billion and investment credits by Kcs 2.2 billion.

The stipulated rate of growth of credits this year is substantially below that of the first years of the 5-year plan; it will require greater pressures for better application of internal resources of economic organizations and for the release of unused assets from their management. The tasks of the monetary plan are forward-moving and their fulfillment will impose high demands on the work of bank economists as well as on efficient use of credits and foreign exchange assets in enterprises and VHJ's /economic production units/.

The bank's domestic and foreign monetary policies are focused first of all on efficient credits in support of all progressive tendencies in our economy. At the same time, however, that means more vigorous and stringent procedures on the part of the bank when eradicating shortcomings that are obstructing the process of intensification. This policy therefore revolves around the introduction of an efficient, differentiated approach on the part of the bank to the allocation of credits and foreign exchange according to the level to which they are operating efficiently.

During the 5-year plan the bank systematically intensifies and improves the methods of application of differentiated credit and foreign exchange policies. It is gradually expanding its active credit and foreign exchange support to efficient programs related mainly to the modernization and automation of production and to the implementation of further R&D achievements, to the accumulation of inventories for the market, and to the consolidation of our state's balance of payments. By the same token, however, it penalizes more consistently and stringently long-lasting shortcomings and symptoms of inefficiency in the management of enterprises.

The concept of the bank's monetary policies, applied in the current 5-year plan, fully agrees with the orientation of our state's economic policies toward an accelerated process of intensification. Therefore, in the final year of the 5-year plan the bank will continue the approaches it followed last year, and proceed from the experience gained from the assessment of the efficiency of the methods applied thus far in its work with credit, interest and foreign exchange mechanisms. The main objective and focus of the bank's operations this year also stem from that concept.

Four Points of View

In the application of credit and foreign exchange policies in 1985 the bank will pay particular attention to economic areas that are decisive for an overall improvement of the efficiency in the process of reproduction and for the fulfillment of the tasks of the Seventh 5-Year Plan: efficient foreign relations, accelerated R&D, a more lucrative investment process and better utilization of inventories. Here the space for the application of the bank's monetary policies and for the impact of credits on efficiency is wide, because the volume of credits which the bank grants to economic organizations is now approaching Kcs 485 billion, i.e., approximately 93 percent of national income. Thus, the weight of bank credits in the finances of our enterprises is considerable; this year roughly 53 percent of working capital and 21.5 percent of capital investment will be financed from bank credits.

Nevertheless, this space is not determined only by the volume and the share of credits and foreign exchange in the financing of the needs of the enterprises but primarily by the effect of operations with credits and foreign exchange and their efficient exploitation. The most important objective is to grant credits and foreign exchange funds only for really efficient programs, and thus to promote the dynamism of national income while scrupulously observing the principle of return.

The degree of efficient use of the granted credit and foreign exchange funds in all of our national economy depends not only on the general standard and quality of the bank's operations, on the employees of its branches, sectoral departments and appropriate managing units of the bank, but also on the use of credits and foreign exchange by economic organizations and on their know-how in using them for the development of socially desirable and technologically advanced productions. For that reason it is important that we consistently project the objectives of the monetary plan and the concepts and aims of the bank's monetary policies in credit and foreign exchange relations of the bank with each economic organization, so as to be able to link to the best possible advantage the amount and the conditions for granting and repaying operational and investment credits and for the release of foreign exchange with the plans for intensification of enterprises and VHJ's.

The economic linkage between the tasks of the monetary plan and the needs and objectives of the enterprise sphere is based on the incentive effect of enterprise plans and on its resultant credit accounts, which specify the main conditions for the granting of credits to enterprises and VHJ's. This year the bank extended until the end of March the term for closing such credit accounts in order to enable credit managers to discuss comprehensively the basic correlations between the plans and the credit requirements of the enterprises with the managers of enterprises and VHJ's. Here we stress that the quality of credit agreements, which are the basis of effective credit relations, be improved, that all problems in enterprise plans be completely and promptly resolved, and that the tasks and credit requirements be spread more evenly than in the past.

Reducing Indebtednes

In foreign economic relations the monetary plan places into one of the foremost positions the achievement of balance in foreign exchange relations in general, and reduction of foreign debt in currencies of the nonsocialist countries. In enforcing optimal foreign trade and foreign exchange rates, we proceed first of all from the planned increase of dynamism in trade and from expanded economic cooperation with the socialist countries as the factor determining the continuation of the initiated rate of economic growth and its structural changes. The decisive factor here is the fulfillment of the planned export tasks in desirable structure and quality, particularly as concerns the USSR, which provides the necessary balance of our payment situation.

Last year the objectives of our state and monetary plans were successfully reached, and furthermore the overall position of our state in terms of foreign exchange in the currencies of nonsocialist countries improved. That--along with the consistent enforcement of the concept of gradual reduction of our indebtedness in free exchange (which began already in 1982)--provides the whole groundwork for the fulfillment of the basic tasks for elimination of our state's debt, stipulated for the entire Seventh 5-Year Plan. At the end of 1985 the position of our state in foreign exchange will be completely balanced, which means that our foreign exchange assets in sum will cover all our foreign exchange obligations.

By the same token, the qualitative aspect of our renewed and strengthened external balance of foreign exchange in free currencies, which is increasing in importance, demands that not only the resources and needs of foreign exchange but also the optimum structure of our claims and obligations to foreign countries, their value and payback by Czechoslovak banks as well as by enterprises of foreign trade, be fully balanced.

Further reduction of our debt in free currencies is an important political and economic obligation that must be systematically fulfilled also in view of the uncertain development of the international economic and monetary situation. In the future we may anticipate high credit rates, considerable fluctuations in currency exchange, irregular course of the capitalist economic prospects, and economic and financial difficulties in many developing countries. We must expect further risks in terms of politically motivated pressures exerted by certain capitalist states on the international economic sphere.

The achievement of the planned balance of payments calls above all for coordinated efforts and cooperation on the part of our organizations of production and foreign trade as well as for stepped-up activity of our banking system, which must use its foreign and domestic financial funds in support of further expansion of our production for export, more lucrative exports and lower demands for imports, and thus it will contribute to our state's balance of payments.

For that reason the bank will concentrate on actively supporting with credits measures that will facilitate the adaptation of the structure of production to the needs of final consumption in domestic and foreign markets and at the same time enforce the technological parameters and quality of the goods and cut the consumption of materials and energy. In that direction we aim the requirements of efficient use of credits, credit rebates and enforcement of penalties.

In 1985 the bank not only will link credit procedures with the fulfillment of the planned tasks in exports and their regular accomplishment in the course of the year, but it will stress higher efficiency of foreign trade far more as the fundamental prerequisite for a greater export potential of all of our economy. Differentiated conditions will be applied in order to encourage planned exports to the USSR and to offer advantages to organizations which have fulfilled such tasks regularly and in adequate volume and quality.

Gradual improvement of the system of release of foreign exchange, advantages and expanded opportunities to draw credits which will be repaid in foreign exchange promote the development of efficient production for export, or as the case may be, fulfill measures aimed at lower requirements of imports and thus also help consolidate the balance of payments. Last year the bank extended up to 3 years the due date for credits repayable in foreign exchange and cut the mandatory margin of profit in a differentiated way according to the te[illegible] of due date of the credit. Preferential credit conditions were reflected in the enterprise sphere by its greater interest in credits which had roughly doubled over 1983.

Nevertheless, opportunities remain for more extensive drawing of credits that are repayable in foreign exchange. The plan for the current year allocated Kcs 1.5 billion for a reserve fund for such credits and may increase it, if need be. Therefore, we focus operations of the branches of our bank on more systematic use of the credits repayable in foreign exchange, on programs related to the fulfillment of export transactions, on programs of rationalization of imports and modernization of manufacturing organizations. Above all, we shall focus particular attention on engineering enterprises which have shared thus far only 25 percent in the total volume of the granted credits that are repayable in foreign exchange.

Support for Science and Technology

This year the bank will continue its emphasis on vital credit aid to R&D. Last year, in harmony with the decisions of the Eighth Plenum of the CPCZ Central Committee, credit options were further expanded for the application of the achievements of R&D; the range of credits with preferential interest rates was extended to efficient investment of the rationalization type as well as to investments connected with production launched or expanded in actual outputs of technological development. Furthermore, the bank makes it possible to draw preferential credits for single-purpose machinery of our own manufacture and for installation of robots and manipulators. Along with that, advanced investments with a high share of machinery are resolving preferential interest rates.

The systematic focus of bank credits on technologically advanced investments is already producing positive results. The general scope of this kind of investment and rationalization credits drawn in the three quarters of 1984 amounted to Kcs 2.85 billion and was 8 percent above the same period of 1983, although the total volume of investment credits had slightly declined.

Thus far the opportunities for active credit--or foreign exchange--support to R&D, however, have not been completely exhausted. The range of such credits remains narrow and has not affected a greater number of enterprises and sectors. We cannot be satisfied in particular with the inadequate orientation of investment programs toward the development of export productions and toward contributions to the balance of payments. Thus, when granting credits the bank's attention must be focused especially in that direction.

The range for such an orientation of investment credits is adequate. In accordance with the exchange plan, new investment credits amounting to Kcs 30 billion will be granted this year. The bank will make every effort so that at least one-third of the newly granted investment credits be focused on the fulfillment of R&D achievements.

More Pressure on Investments

A specific task which came to the fore last year and extended to the current year involves control and the final solution of the changes which developed

in the financing and crediting of capital investment in conjunction with the implementation of the new regulation, No 37/1983 of SBIRKA ZAKONU on invoices for investment works and deliveries. These changes expanded the role of credits in financing unfinished capital investment projects by contractors. Already last year we attempted the changes in the financing and crediting of deliveries and works for investments from proceeding automatically so that they do not merely replace the installments paid by investors with bank credits, but increase at the same time the pressure of credits on the efficiency of capital investment.

In view of the delayed accounting of the changes as a result of the implementation of the new regulations on invoicing, these options have not been thus far fully utilized. Nevertheless, at present the initial problems with the accounting of these changes have been overcome and credits may be used to enforce to the fullest extent higher efficiency and quality of capital investment. Credit grants may be linked far more with economic pressures for prompt completion of investment projects by the planned deadline, for keeping within the budget, for better quality of investments and for the achievement of planned parameters.

Attention to Inventories

The objectives of intensification have markedly raised the demands on efficient utilization of inventories which are now in the range of roughly one year's national income. That is exceedingly high. Therefore, the government of the CSSR dealt on several occasions last year with inventories and approved several measures and tasks for supra-enterprise agencies and for enterprises, aimed at better management with inventories. The decision of the government also serves as the basis for the bank's tasks directed at increased credit pressures and at better management with inventories as well as at advantages for enterprises achieving continuously good results in this respect.

More attention to the inventories is beginning to produce some positive results, as demonstrated in 1984 by the turnover of inventories in our industry and construction, which had accelerated by about 3 to 4 days. On the other hand, however, excessive and redundant stockpiles screened out last year amounted to Kcs 8.5 to 9 billion, which underscores the enormous untapped assets in the management of inventories in our enterprises. After complicated negotiations between the supra-enterprise authorities, enterprises and the bank, the overwhelming majority of the VHJ's and enterprises adopted goal-oriented tasks aimed at above-plan reduction of their stockpiles in 1984; that reduction was approved by the government and represents Kcs 5 billion. The implementation of the measures on utilization of the screened-out stockpiles enabled most enterprises to meet their goal-oriented tasks as regards their inventories. Nevertheless, it is obvious that the tasks in their totality will not be fulfilled because certain VHJ's and enterprises have not implemented the agreed-upon measures with appropriate determination.

Furthermore, we cannot be satisfied with the uneven development of inventories and credits drawn in the course of the year, which is a side effect of the irregular fulfillment of the tasks of production and marketing and of the shortcomings in supplier-consumer relations.

Our economic organizations, their superior authorities and the bank are facing this year especially challenging tasks in the development of inventories, stemming from CSSR Government Decision No 308/1984 on the state operational plan for national economic development of the CSSR in 1985. It deals primarily with a higher share of inventories for the market, better management of the development of inventories according to their basic categories, improvement of their structure, including inventories of spare parts, objectivation and consolidation of the standards for inventories and their implementation in the planning and management of inventories, as well as with better supplier-consumer relations on the basis of properly concluded and fulfilled economic contracts.

These objective and systemic measures are of a long-term nature and will be implemented by economic ministries to help fulfill the tasks for 1985 and to facilitate the permanent release of unused assets in inventories. The objective here is to specify the measures up to the level of the manufacturing organizations and to incorporate those measures into the economic plans of those organizations.

To facilitate those tasks we shall grant credits for inventories with a lower interest rate to organizations that manage their inventories more efficiently than at the beginning of the Seventh 5-Year Plan, and pursuant to the decision of the CSSR Government on the state plan, we shall also grant more rebates on interest for more efficient management of inventories and for the fulfillment of specific objective measures aimed at a permanent release of unused stockpiles. When crediting inventories of organizations that failed to meet the tasks of the plan, the bank will apply stricter penalties in 1985.

The objectives planned for this year proceed from the premise that surplus inventories accumulated over the past years in our industrial and construction organizations will be utilized to facilitate relative release of Kcs 7.5 billion of inventories. At the same time, while drafting the plan, the enterprises must make the tasks concerning their inventories for the current year more stringent if they failed to meet the plan and the goal-oriented tasks in 1984.

Credits for operations in industry and construction will give advantage to the accumulation of necessary stockpiles, above all for marketing, stemming from the development of types of production which apply R&D achievements, as well as supplies of fuels, imported raw materials and supplies related to expansion of export capacities of our production. Thus, the primary emphasis will be on the promotion of desirable changes in the structure of inventories, while implementing the planned tasks in inventories to the fullest extent and creating internal financial resources. Credits can cover up neither the shortcomings in the management of inventories nor inefficient

production. The monetary plan earmarks higher operational credits also for financing the growth of working capital in our agriculture, trade, local manufacture and services.

Agriculture and Domestic Trade

This year we shall pay special attention to the effect of credits and foreign exchange on the further development of agricultural production according to the decisions of the 11th Plenum of the CPCZ Central Committee. The bank will intensify and improve its participation in the drafting and compilation of economic plans; it will provide credits to support higher accumulation of supplies of fodders and necessary resources of agricultural raw materials and semi-finished products in our food industry. We shall grant rebates on credit for overfulfillment of the planned tasks in the production of grain crops and in livestock production. The bank will continue to demand that foreign trade accounts of our agricultural-food production complex be balanced. It will affect the accumulation of internal financial resources of agricultural organizations in order to strengthen their own financial base. Furthermore, the bank will promote further improvement of efficiency in our agricultural production and take part in liquidating unjustified differences in the management of our agricultural enterprises. Credits for investments will be preferentially focused on the implementation of measures for higher yield of agricultural land resources and on the introduction of the plans for the development of the technological base, particularly on the implementation of R&D achievements in our agriculture.

In trade, services and in related supplier enterprises credits will be focused on better offer of goods and satisfaction of consumers' demands in our domestic market, and on further expansion of services for our public. When discussing the plans of the enterprises, we shall enforce the fulfillment--or as the case may be, overfulfillment--of planned deliveries in required lines and quality. Systematic consolidation of the balance of our domestic market helps stabilize the assets of the monetary plan, and thus also the overall monetary balance. Therefore, in relation to trade organizations as well as to manufacturing organizations, our credit policies will continue to activate gradually the effect of the bank's mechanisms and to intensify the differentiation of credits.

* * *

When implementing the bank's monetary policies more rapid advances in the intensification of our national economy call for better cooperation and coordination of the procedures of the bank with the agencies of economic management and of the financial system as well as with the committees of people's control. By the same token, however, it will be imperative to upgrade effective cooperation on the part of the bank with economic sectors, VHJ's and enterprises, while seeking jointly ways to mobilize unused assets and to improve efficiency. Naturally, there may be different approaches and conflicts may even arise. In such cases it is important to find common solutions in order to assert societywide interests.

This year we shall celebrate the 40th anniversary of the culmination of the Czechoslovak people's struggle for their national liberation, and of our country's liberation of the Soviet Army; in addition, the Czechoslovak State Bank will commemorate the 35th anniversary of its founding. In agreement with the principles of the bank's monetary policies we shall strive to provide every prerequisite for our joint advancement toward the fulfillment of the tasks for this year and for the entire 5-year plan, and to help lay good foundations for the Eighth 5-Year Plan.

9004
CSO: 2400/260

STATISTICS ON NORTHERN BOHEMIA

Prague RUDE PRAVO in Czech 19 Mar 85 p 3

[Text] The Northern Bohemia region has close to 1,180,000 inhabitants, which is about 7.6 percent of the population of Czechoslovakia. With an area of 7,910 square kilometers, it is the smallest region of the republic.

The production of coal in the soft-coal district of Northern Bohemia amounted to 16.8 million tons in 1948. Since then it has increased by a factor of 4.4, and in 1984 reached 74.6 million tons.

The region produces 38 percent of Czechoslovak electric power. This is due mainly to the performance of the newly built power blocks, for example the Power Plant SSM Tusimice and the Power Plant of the February Victory at Pocerady. Since 1960 the production of electric power in the region has thus increased by a factor of 6.2.

The workers in Northern Bohemia contribute 39 percent of the state-wide production of seamless pipes, 42 percent of trucks, 49 percent of glass and ceramics, and a full 100 percent of flat pulled glass.

The average per hectare output of grain was 1.45 tons in 1945, reaching 3.99 tons in 1984. The region accounts for 61 percent of the Czechoslovak production of hops, an important export crop.

After the war, many of the available apartments were in very bad condition. By means of various kinds of construction, we succeeded in building in the north of Bohemia 232,000 new apartments since 1945.

During the past ten years three new, modern [illegible]tals were opened: in Most, Kadan and Ceska Lipa. A health facility i[illegible]to completion in Chomutov. Since 1960, the number of physicians rose by 9[illegible]cent, the number of beds by 80 percent, and the number of places in nurseries by 70 percent.

There are six spa towns in the region -- Teplice, Bilina, Libverda, Dubi, Kundratice, and Msene-Spa, where more than 30,000 institutionalized patients and 7,000 ambulatory patients take treatment each year. Following the extensive reconstruction of the Teplice spa, the modernization of the Libverda spa has begun, which will comprise not only the technical part of their operations, but also a substantial expansion of their bed facilities.

Children from selected areas of the region leave for boarding schools in the countryside. Their numbers are growing all the time. While there were 90,000 children involved in 1981, in 1984, 147,000 children went to boarding schools in the countryside. Permanent country school facilities are also used for this purpose. The Northern Bohemian National Committees have seventeen of them so far, and other facilities are being built. For example, in December a country school for 900 pupils will be completed in Volyne.

The development of five permanent theatres with nine companies and one professional concert ensemble will encourage a rich cultural life. Last year the theatres presented 1,503 productions, attended by 560,000 people. 351 concerts were given, with a combined attendance of 109,000. Four permanent galleries held 774 permanent and traveling exhibits. There are 2,400 art groups and societies of various kinds active in the region, with a combined membership of 41,000.

12605
CSO: 2400/334

CZECHOSLOVAKIA

SNAGS IN FROZEN FOOD DISTRIBUTION

Prague RUDE PRAVO in Czech 19 Mar 85 p 2

[Article by Eva Sadilkova]

[Text] Each one of us consumes on the average about 600 kilograms of foodstuffs a year. From the point of view of nutritional value, however, the composition of our diet still is not what it should be. We prefer dumplings to fruits and vegetables. Many of you will perhaps object, saying that during the winter season buying vegetables in particular is no simple matter. It is and it is not. To begin with, we have not yet become accustomed to using more semi-finished frozen vegetable products.

Even so, the frozen food industry, this youngest of all the food sectors, plays an important role in nutrition. It is not, after all, only vegetables that are being frozen, but also poultry, meat, fish, dairy and other products. And new frozen food storage space capacity is increasing each year at a substantial rate. There still remains, however, the not inconsiderable problem of establishing the so-called frozen food distribution chain -- a smoothly functioning delivery system from manufacturer to the network of stores and to the consumer. Part of the problem lies in the fact that stores still do not have a sufficient number of freezer cases in which to display the full range of frozen food products for the consumer. Out of almost 150 kinds of vegetable, fruit, fish, cream and other products which are being prepared, a single store can offer barely 25 to 30, or even fewer.

In the consumption of frozen vegetables and finished food products, we still do not meet the requirements of rational nutrition. The frozen food industry wants to keep increasing the production of this range of products. In the interest of its customers, however, the store, too, has to be prepared for it. It is commendable that in the future the bulk of frozen vegetables, up to 80 percent of the total production, will be sent to the market always during the first half of the year, so as to satisfy the requirements of buyers when fresh vegetables are in short supply.

12605
CSO: 2400/334

CZECHOSLOVAKIA

NATURAL GAS REPLACING COAL GAS IN PRAGUE

Prague RUDE PRAVO in Czech 19 Mar 85 p 2

[Text] Increasingly, Soviet natural gas is being used also in Prague, where it successfully continues to replace coal gas. Coal already is serving a quarter of a million households in the capital. Employees of the Central Bohemian Gasworks, in cooperation with the Enterprise Kovosluzba, the Cooperative Inklemo and other organizations, have been expediting work on distribution mains and the adjustments and exchanges of equipment for the use of natural gas in place of coal gas in a sizeable section of Prague. In spite of various difficulties, the conversion from one kind of gas to another will be completed in 1988, that is 2 years earlier than the stated goal. This year the work will concern about 25,000 additional Prague households, mainly those in the area of Prague 6.

The capital relies on Soviet natural gas when further improving the living environment. Older boiler rooms will also be converted to this high-grade fuel. In the apartment complexes being built during the Seventh 5-Year Plan, the energy for heating and cooking is provided entirely by natural gas.

The conversion is proceeding well also in the central Bohemian region. It has been completed in Kolin, Podebrady, Cesky Brod, Caslav, Mlada Boleslav, Nymburk, Kutna Hora, Mnichovo Hradiste and Bakov nad Jizerou, and is in the process of being completed in Kladno and in Kralupy nad Vltavou. Gradually, other localities in the region will also be using natural gas.

12605
CSO: 2400/334

CZECHOSLOVAKIA

INCIDENCE OF PESTS IN SLOVAKIA DISCUSSED

Bratislava ROLNICKE NOVINY in Slovak 28 Mar, 1, 2, 11 Apr 85 p 3

/Articles by Eng Eugen Vancek, UKSUP Bratislava/

/28 Mar 85 p 3/

/Text/ The quarantine and plant protection division of the UKSUP /not further identified/ in Bratislava has issued its predictions for the incidence of selected pests for this year's vegetative season. These predictions are dependent on there being normal weather conditions. Since the climatic conditions in the winter and especially in the spring can affect the numbers of pests, it will be necessary to monitor systematically their development and ajust protection measures accordingly.

Common Vole (microtus arvalis): In the autumn of 1984 the common vole was not very widespread in Slovakia. Locations with average territorial incidence were found in the Nove Zamky, Senica, Trnava, Komarno, Velky Krtis, Zvolen, Zilina, Martin, Cadca, and Michalovce okreses. In some places in the Komarno and Zilina okreses the incidence became very heavy. This situation required that protective measures be taken on perennial fodder crops.

The population densities for the common vole were determined in the fall using the technique of estimating the number of voles according to the number of utilized exits from holes per hectare. This produced some approximate predictive information. In these areas, as well as in areas where voles have been problematic for several years (see the predictive map) it is suggested that the incidence of this pest be verified by the above technique one more time before the beginning of vegetation.

On a plot planted in perennial fodder crops we mark off 5 are-size (10 meters by 10 meters) plots, then thoroughly count and fill in all exits from vole holes. After 24 hours we make another count on the same plots, which gives us an idea of focal or areal occurrence. By multiplying the sum of the newly opened exit holes on the 5 plots by 20 we obtain an estimate of the spring intensity of incidence of the vole (1-40; weak: 41-100, moderate: 100-200, heavy: 201 and up, very heavy). Areas with moderate, heavy and very heavy incidence must be treated in the spring.

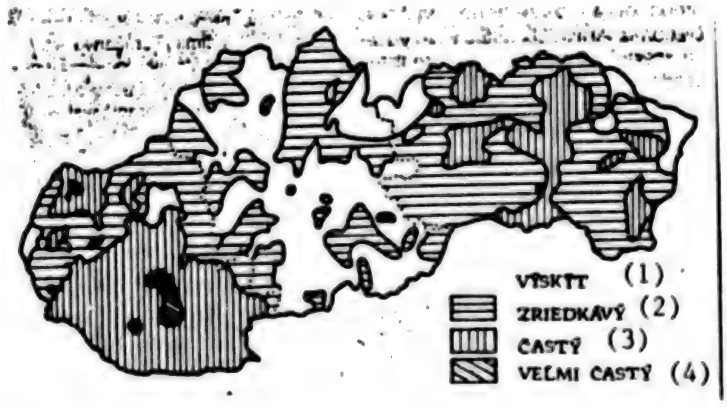
The vole population must be monitored after the first and the second cutting of perennial fodder crops, as well as in the fall, when its population begins to increase. The best results are obtained from protective measures that are applied to the center of the initial occurrence.

Wireworms (Elateridae larvae): In the threatened areas (see map) it is necessary to make control excavations on areas to be sown with sensitive crops in order to determine the incidence of wireworms in the soil. Soil treatments may be undertaken only on plots with the following incidence of wireworms per square meter: grain--20, corn--15, other crops--10. Indiscriminate soil treatments are not permissible.

The control excavations must be 50 cm long and wide and 40 cm deep, with the numbers of holes determined by the size of the plot. On plots up to 5 hectares in size 8 holes are required, on plots larger than 5 hectares, 12 holes. The agricultural enterprises must distribute the test holes in checkerboard fashion. The relatively dry soil obtained in this manner is then sifted through a screen with 4 mm openings. If the soil is very damp, the number of wireworms counted will not correspond to the actual situation. This research should start as soon as soil and temperature conditions permit and finish 3-4 days before the final presowing soil preparation.

Choices of chemicals should be governed by the register of approved pesticides and protective measures should be undertaken only in accordance with the principles of integrated plant protection.

Areas With Harmful Incidence of the Common Vole



Key:

1. Incidence 2. Rare 3. Frequent 4. Very frequent

Areas With Incidence of Wireworms



Key:
1. Incidence 2. Rare 3. Frequent 4. Very frequent

/1 Apr 85 p 3/

/Text/ Bean Aphid (Aphis fabae): Predictions have been developed for areas of the first through the third signalization zones based on research on the density on spindle trees of the winter eggs of the bean aphid, with consideration given to the weather conditions at the end of the summer and in the fall. The results indicate that we can expect:

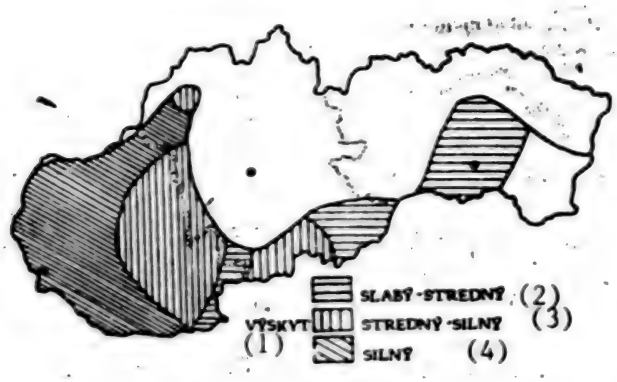
--Heavy incidence in the western half of the West Slovak kraj and in the Povazska Bystrica okres;

--Moderate to heavy incidence in the eastern portion of the West Slovak kraj, in the western part of the Zilina okres, and in the Prievidza, Ziar and Hronom, Velk Krtis, Lucenec, Michalovce and Trebisov okreses;

--Weak to moderate incidence in the eastern parts of the Nove Zamky and Levice okreses, in the south of the Zvolen okres, and in the Rimavska sobota, Kosice, Presov, and Vranov and Toplou okreses.

The intensity of these pests can be influenced by unfavorable weather during the development of the aphids on the spindle trees, during the flight of the winged females as well as during the development on host plants. Favorable weather (moderate moisture, warmth, etc.) can, on the other hand, support increased numbers of aphids on secondary host plants. When planning protective measures it is important to monitor the pests during their development and evaluate their numbers. It is generally true that all stands of sugar beets and soybeans require treatment because immediately after the completion of flight at least five percent of the plants are affected. Such stands must be treated immediately.

Bean Aphid--Prediction for 1985

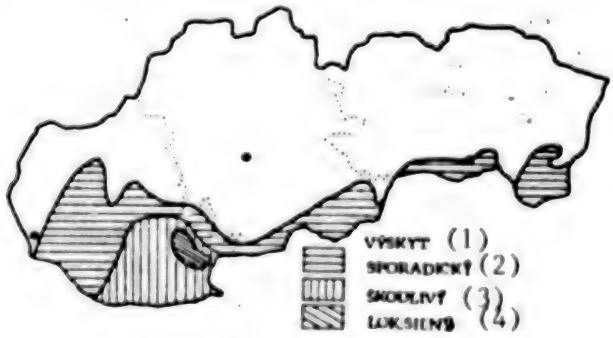


Key: Incidence 2. Weak-moderate 3. Moderate-heavy 4. Heavy

Ryhovec repovy (Bothynoderes Punctiventris): Based on 1985 weather and the rsults of fall test holes in beet fields we can expect, once the beet plants have emerged, and throughout the range of this pest, not only sporadic but in some localities even harmful incidence. The latter will be concentrated in the southern okreses of the West Slovak Kraj, namely the Nove Zamky okres, the southeastern part of the Nitra okres and in the Komarno okres. Heavy to calamitous local incidence can be expected in the Levice okres.

This being the case, early this spring farmers must dig test holes on last year's beet fields, arranged in a checkerboard fashion, with each hole being 50 cm on each side and 40 cm deep. Each plot must have a minimum of four test holes. The soil should be turned over, the number of beetles counted and the average number per square meter counted. When heavy incidence is found the surrounding stands of beets must be treated at the time the beetles are hatching, immediately after finding the first adults. Where test holes indicate a moderate incidence, i.e. 1-1.9 beetles per square meter, stands must be treated at the beginning of pest concentration. In both instances treatments should be repeated as needed, or upon the arrival of the pests.

Ryhovec repovy /possibly borer/ (Bothynoderes punctiventris)--Prediction for 1985



Key:

1. Incidence 2. Sporadic 3. Harmful 4. Locally heavy

Beet fly (Pegmoyia betae): Last fall research was done on beet fields in beet growing regions at 65 locations representing about 5 percent of the total area sown in beets in Slovakia.

Results of the research indicate that the beet fly does not present a threat to sugar beet stands this year because the number of pupae in the soil is very low. The only places with slightly higher counts were the Levice, Topolcany, Povazska Bystrica, and Trebisov okreses.

Even though we are expecting a weak incidence of this pest attention must be paid to it during the time when the best seedlings are emerging. Threatened stands should be treated only when critical values have been reached, otherwise to do so is uneconomical.

When choosing chemical preparations for plant protection the register of approved pesticide for 1985 should be used.

/2 Apr 85 p 3/

/Text/ June beetle (Melolóntha melolontha): In the lower elevations in Slovakia this year the 3-year family III_2 will be swarming. At the higher elevations it will be the 4-year family IV_1. These are among the less well known families, which are weaker.

Heavy to calamitious incidence is expected in the area north of Nitra and extending to the southern part of the Topolcany okres, in the Vranov okres, in the vicinity of Humenne, in the eastern part of the Michalovce okres and in the Trebisov okres.

Moderate to heavy incidence is expected in the southern part of the Nitra okres, over most of the territory of Trebisov and in the remaining parts of the Michalovce okres.

Weak to moderate incidence can be expected in the eastern parts of the Bratislava and Trnava okreses, the southern part of the Topolcany okres, the western part of the Nitra okres, and in the Galanta, Dunajska Streda, Komarno and Nove Zamky. Weak to moderate incidence can also be expected in the central part of the Povazska Bystrica okres as far as Bytc in the Zilina okres, in parts of the Martin, Liptovsky Mikulas and Kosice okreses, in the southern part of the Presov okres and in the western parts of the Trebisov and Humenne okreses.

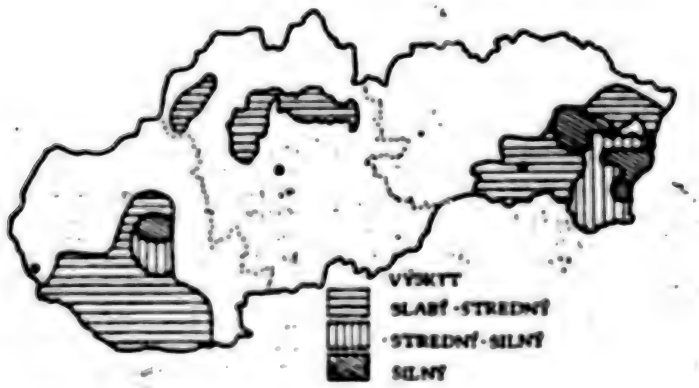
The expected swarming intensity may not reach its upper limit if at the time that the beetles are hatching there is cool or rainy weather. The number of June beetles is also influenced by the system of working the soil, applications of artificial fertilizers, the use of pesticides, etc.

In cases of heavy infestation we treat the affected locality at the time when most of the females have flown to trees, but before they fly to their first egg case in the fields. Treatments are made up to 50 meters into the woods at the time that the ratio of the sexes is 1:1. In orchards we destroy the beetles by hand picking them.

In areas where swarming occurs this year we recommend treating plots against grubs in those locations where in 1986 or 1987 fruit tree or currant nurseries will be established, as well as where strawberry fields will be sown. This is the most effective method because after laying the eggs, some 80-90 percent of the larvae that hatch then die.

By the end of July damage can be expected from the third growth stage of larvae in the Bratislava, Senica, Topolcany, Trencin, Prievidza, Rimavska Sobota, Kosice and Trebisov okreses. In these areas it is necessary to determine the number of grubs prior to planting by digging test holes (100 cm long and wide and 60 cm deep). On an area of 0.3 hectares 5-10 test holes should be dug, with 2-5 test holes dug on each 0.1 hectare of additional size. If there are more than 0.5 grubs at the third growth stage, 1 grub at the second growth stage per square meter it is recommended that the crop being considered not be sown there and other plots sought.

June Beetles--Prediction For 1985



Key:
1. Incidence 2. Weak-moderate 3. Moderate-heavy 4. Heavy

Cabbage Aphid (Brevicoryne Brassicae): Assuming that weather patterns will be normal there is no reason to expect any economically significant infestations of this pest on stands of winter rape. If weather in the spring is favorable there could be damaging infestations of the cabbage aphid in areas in the Galanta, Komarno, Nove Zamky, Senica, Trencin, Trnava, Bardejov, Humenne, Kosice, Michalovce, Presov, Svidnik, Trebisov, Vranov, and Velky Krtis okreses. Isolated problems might occur in the Lucenec, Provazska Bystrica, Rimavska Sobota and Zvolen okreses.

In these okreses it is essential to monitor the intensity of infestation of stands prior to the flowering of the rape. At infestation levels of 10 percent of the crop with at least 100-200 aphids chemical treatments are recommended within 1 week of bloom. On large plots it usually suffices to treat from the edges in to the point where the infestation reaches the above level.

/11 Apr 85 p 3/

/Text/ Fall Webworm (Hyphantria cunea): An analysis of the available data indicates that the following incidence of the first generation of the fall webworm may be expected:

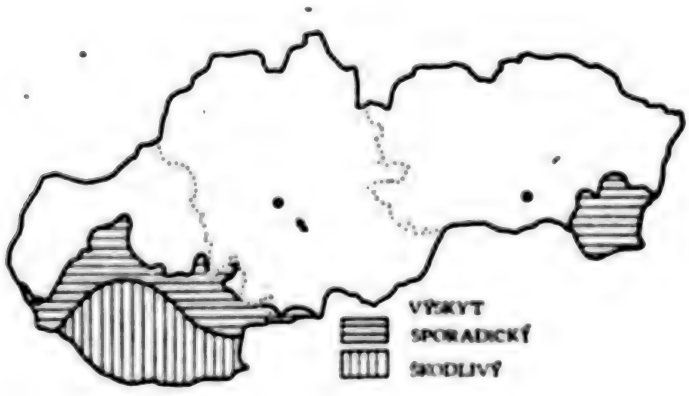
In the southern okreses in west and eastern Slovakia we are expecting areas of weak incidence. Given favorable weather in the spring months there may even be locations with moderate to heavy incidence on primary hosts in the Galanta, Dunajska Streda, Nove Zamky and Komarno okreses. Other areas of southern Slovakia may expect the sporadic incidence of moths and even cocoons.

The second generation of this pest is more numerous and causes greater damage. Dry and warm weather has a favorable impact on the spread of the webworm and the intensity of its incidence. The stripping of foliage by the caterpillars weakens the affected plants, reduces yields, slows down maturation of wood and also makes the affected plant more susceptible to freezing.

In terms of controlling this pest it is recommended that the caterpillar cocoons be cut off and/or burned at the first and second stages of development and prior to the emergence of the caterpillars. In locations with heavy or moderate incidence a combination of mechanical and chemical treatments are recommended at the time of the heaviest infestation of the youngest caterpillars.

Black Arch Caterpillar (Lymantria Dyspar): We expect the black arch caterpillar to be very numerous and active throughout its range in Slovakia.

Fall Webworm--Prediction For 1985



Key:

1. Incidence 2. Sporadic 3. Harmful

This pest is destructive to many crops and may attack orchards, vineyards, and many other agricultural crops. Attention must be paid consistently to the black arch therefore through the growing season and preventive measures taken in the event of an economically significant infestation. The choice of pesticides must be in accordance with the register of chemical preparations approved for plant protection.

Whitefly (Haplodiplosis marginata): On the territory of Slovakia this year we expect neither a moderate nor a heavy incidence of this pest. Weak or moderate incidence is predicted only for localities in the Dolny Kubin okres. Weak incidence may be expected in all other okreses in those localities where last year there was recorded isolated or weak incidence. These include the Levice, Nitra, Nove Zamky, Topolcany, Dolny Kubin, Martin, Cadca, Ziar nad Hronom, Zilina, Presov, Bardejov, Svidnik, Humenne and Trebisov okreses.

For purposes of chemical treatment it is necessary to monitor the appearance of the adults, the laying of eggs and the achievement of critical numbers on individual stands in conjunction with contextual signals.

9276
CSO: 2400/350

CZECHOSLOVAKIA

BRIEFS

PRIVATE LAND OWNERSHIP--Gardeners in the Czech Socialist Republic till a total of 45,650 hectares of land. According to the Czech Union of Gardeners, some 30,000 applicants are waiting for the allocation of a plot for gardening in the Czech Socialist Republic. [Summary] [Prague ZEMEDELSKI NOVINY in Czech 15 Apr 85 p 1 AU]

CSSR-SOVIET TV PROTOCOL--A Czechoslovak television delegation led by its central director, J. Zelenka, left Moscow by air on Thursday [11 Apr]. During its visit to the Soviet capital, it signed a supplement to the protocol on cooperation with the USSR State Committee for Television and Radio Broadcasting for 1985, concerning, in particular, programs pegged to the forthcoming 40th anniversary of the victory over fascism and coverage of the 12th World Youth and Student Festival in Moscow. [Text] [Prague RUDE PRAVO in Czech 12 Apr 85 p 7 AU]

NEW BRATISLAVA TELEPHONE CODE--The direct-dial code for Bratislava for callers from Prague is being changed to 07 as of 12 April. Simultaneously, Sobrance has been added to the direct-dial zone for callers in Prague; the code for Sobrance is 0947. [Summary] [Prague RUDE PRAVO in Czech 12 Apr 85 p 2 AU]

COST OF OIL IMPORTS--In 1982, Czechoslovakia imported crude oil for Kcs 16,537,000,000, of which Kcs 15,850,000,000 was paid for crude oil imported from the USSR. Czechoslovakia's domestic crude oil extraction, which averages about 90,000 metric tons a year, covers roughly 0.5 percent of annual 0.5 percent of annual consumption. [Summary] [Prague MLADA FRONTA in Czech 13 Apr 85 p 2 AU]

CSSR-SOVIET TRADE--A contract providing for the import of 50 Soviet T-130 bulldozers in excess of originally planned deliveries in 1985 has been signed in Moscow by representatives of the Czechoslovak Strojexport and the Soviet Traktorexport foreign trade enterprises. Czechoslovakia will thus import a total of 290 heavy bulldozers of this type this year. The Let Kunovice national enterprise has recently delivered to the Soviet Union the 500th aircraft of the L-410 type. It was handed over to representatives of Aeroflot at Lvov airport. The L-410, a 2-engine turboprop aircraft, can carry either 15 passengers or 1,300 kg of freight short distances. [Summary] [Prague ZEMEDELSKE NOVINY in Czech 13 Apr 85 p 2 AU]

CSO: 2400/389

GERMAN DEMOCRATIC REPUBLIC

MITTAG URGES COMBINE MANAGERS TO INITIATE NEW PRODUCTS LINES

Schwerin SCHWERINER VOLKSZEITUNG in German 8 Mar 85 p 3

[Article datelined Leipzig, based on speech by Guenter Mittag, member of the Politburo and secretary of the SED Central Committee: "Preparation of Party Congress With Even Greater Contribution to Strengthening Our Republic"]

[Text] In preparation for the 11th SED Party Congress, to make an even greater contribution to all-round strengthening of the republic through widespread intensification--this suject governed the seminar of the SED Central Committee with the combine managers and party organizers of the Central Committee on Thursday in Leipzig. Based on the significant speeches by Erich Honecker at the 9th session of the Central Committee and consultation with the kreis first secretaries, in a speech at the opening of the seminar, Guenter Mittag dealt with the next tasks for implementing economic strategy.

At the 9th plenary session, it was stressed that our foremost guiding principle continues to be: to do everything possible for the welfare of the people, for the happiness of man, by steadfast continuation of the course of strengthening socialism and securing peace. This major task, in its unity of economic and social policy, will also determine the period of the coming 5-year plan.

This is the policy which has advanced the GDR during the past 15 years, since the 8th SED Party Congress, with unparalleled impetus. This policy is based on the unshakable foundation of socialism, and at the same time it strengthened socialism. This is of decisive significance in the present, where it is a matter of preserving and securing peace.

To maintain and strengthen peace, to banish the danger of war--that is, and remains, the most important task of the present. It is literally a question of life for all peoples, for their being or not being. Our attitude is clear: Now, more than ever, we shall conduct the battle to prevent a nuclear world inferno, once and for all. The upcoming U.S. -Soviet negotiations in Geneva represent hope for mankind, despite the complexity of the problems to be solved. We welcome the agreement on their materialization, and support fully and wholeheartedly the constructive position of the Soviet Union to solve, by peaceful means, fundamental vital questions of mankind through negotiations and political dialogue.

We derive our political responsibility from clear knowledge of the indivisible connection between strong socialism and secure peace, and we fight for high economic output for the further strengthening of the GDR. The upcoming 40th anniversary of the victory over Hitler fascism and the liberation of the

German people is inspiring millions of people all over the country to undertake new, exemplary initiatives. For it was the deed of liberation by the Soviet Union as the major force of the anti-Hitler coalition which opened up the chance for a new start by our people, and we have used it well.

When Red Army soldiers raised the flag of victory over the Reichstag in Berlin, it was simultaneously the signal for the beginning of the triumphant march of socialism on German soil. Our place is firmly at the side of the victors of history--and that is the present and future of the GDR. A good and safe future!

Even now, clear perspectives have been outlined for the directions of economic development. We are thinking primarily of continued, overall deepening of our cooperation with the Soviet Union, for which we already have a program stretching to the threshold of the year 2000. The achievements of today already decide how successful this further segment of development will be. We must now create the preconditions for the success of tomorrow.

Consistent and Comprehensive Intensification

What is especially needed? The most important task is for every combine to carry out consistent and comprehensive intensification. This is the meaning and content of the new phase of materializing our new economic strategy.

For this reason, it is first of all necessary to make science and technology in every combine the deciding factor for high growth of net production and, therefore, national income. An important yardstick for this is a growing share of new products of great utility value and lowest production costs. Production must be organized in such a manner that new products are immediately manufactured in quantity to satisfy demand.

This is what we mean by high improvement. This must be carried out without exception in every stage of production, including supply purchases, and one's own projects and results must always be measured against optimum international values.

Secondly, it is necessary to fight everywhere for high work productivity, to not tolerate islands of low productivity withing a factory, or within the framework of a combine. This requires full concentration on the application of modern technologies. Every combine and every factory must strengthen quantitatively and, above all, qualitatively, its own efficiency measures. In this area we need greater speed, particularly with regard to the introduction of automated manufacturing segments, including automated construction and preparation of production.

Thirdly, it is necessary to continue the fight for lowering consumption of energy and material. Much has already been achieved. Yet it should be clear to all: in this field, also, we are only beginning to tap large reserves. Many collectives continue to use too much material, and especially energy. Further progress must be organized through full utilization of all possibilities offered by science and technology, and through solid, persistent work. It is ten times cheaper for the economy to take effective measures for lowering energy consumption than to produce additional energy.

For this reason, we hold fast to the basic theses of our economic strategy: lowering consumption in production continues to be the principal way to lower economic expenditure. Cost development illustrates the contribution of every combine to the growth of national income. The time is past when some could consider the prime cost of production "the fifth wheel on the cart of the economy." Rather, today costs are more than ever a clear reflection of the economy of every factory and every combine. Constant lowering of prime cost--that is the economy per se.

Fourth, the new phase of economic strategy demands further qualification of management activity in every combine. Let us recall: we began the fight for implementation of the resolutions of the 10th Party Congress when the forming of the combines had only just been concluded. During that phase, in the early 80's, we succeeded in initiating the fundamental turn toward intensification which only made possible the level of performance achieved today, and the growth rate of the economy. How much more can we achieve if we succeed in rapid implementation of the wealth of experience collected and in ensuring a new and higher quality of management in the combines.

Hereby, also, there is an all-decisive focus: in every combine, everything must be done to make most effective the flow of intensively expanded reproduction in all its phases. This requires uniform management according to the most modern aspects by the general manager. Naturally, this also includes daily striving for fulfillment of the major indices of the plan--net production, profit, products and output for the population as well as export--in every individual enterprise.

1984 Results--Proof of the Strength of Competition

If we approach, organize and manage work in such a manner, we will succeed in fulfilling the tasks of the 1985 economic plan without compromise, and to surpass them purposefully in preparation for the 11th Party Congress.

As you know, the results this year will be of special importance: the better they turn out, the more significant they will be in the successful accounting of fulfilling the resolutions of the 10th Party Congress. At the same time, they form the solid basis for those fundamental decisions which the 11th SED Party Congress will make for the next stage of shaping the developed socialist society in the GDR.

In the past year, important material preconditions for future development were created. The accuracy of our party's economic policy was reaffirmed.

The results prove that intensively expanded reproduction is today the decisive basis for growth, and that a turning point of major importance was thus initiated. The very significant growth rate of 5.5. percent in national income which also represents the highest absolute growth so far of M 11.7 billion speaks for the decisive part played by intensification. The determining share was achieved by industry with an increase in net production of 8.5 percent. Connected with it was an increase in work productivity of 7.7 percent, which was markedly higher in 1984 than the average annual growth rate of 5.7 percent during the previous years 1981-1983.

Particularly noteworthy is the fact that we are achieving production growth and simultaneously lowering specific consumption of economically important sources of energy, raw materials and materials, for example during 1981-1984, on the average by 6 percent annually. These high economic performance ensure that our policy for the welfare of the people also paid off handsomely in 1984 with significant results. This is proven by 207,034 new and modernized apartments as well as by the 4.1 percent increase in retail sales volume, by a 4 percent increase in real income, a 4 percent growth of the service volume, and other social results.

Great Performance in Factories and Combines

We could all note with Joy and satisfaction that the year 1984 became the year of highest performance so far in the history of the GDR. The collectives in factories and combines have a large share in this. The high obligations assumed by the combines were fulfilled and surpassed with honor.

--The combines of industry, construction, and transport and communications surpassed the planned net production for 1984 by M 4.8 billion. The commitment has been set at M 1.4 billion.

--Planned work productivity based on net production was exceeded in industry by 4 percent, and by 5 percent in the construction business. This means that the commitment was not only fulfilled, but considerably surpassed.

--The planned net profit in industry, the construction business and the transport and communications system was exceeded with a total of M 3.1 billion. This is also far above the assumed commitments. Planned total prime cost per 100 Marks production was kept lower by a total of M 1.1 billion.

--In industrial goods production, the combines of industry succeeded in exceeding the plan by M 5 billion. This corresponds to the output of 3.5 days. The obligations assumed had aimed at M 3 billion worth of additional goods to supply the population, the economy, and export, and was thus also considerably surpassed.

--Planned construction was exceeded by M 114 million through the centrally managed construction combines and the bezirk building authorities. Exceeding the plan, 9,814 additional apartments were built or modernized. With a total of over 200,000 new or modernized apartments in 1984, living conditions improved for an additional 621,000 citizens. It was the highest yearly result to date.

--Industry, and the construction business, exceeded the plan by providing finished products for the population in the amount of M 1.7 billion at retail prices. This surpassed noticeably the assumed commitment of M 1 billion.

GDR Position Strengthened Politically and Economically

The achievements in the GDR were given great international attention. The international position of the GDR was significantly strengthened politically

and economically. Particularly at this time of hard class disputes, our republic proved in the 35th year of its existence the vitality and superiority of socialism, the dynamics and continuity of its development. The unassailableness of the GDR was further strengthened. It proves itself a stable cornerstone of peace and socialism in Europe.

The collectives of the combines and factories put all their strength into the service of this good and noble cause. They all know that it is possible to make peace more secure for socialism through high economic performance. They exert themselves through new deeds of competition to create new preconditions for the successful implementation of the resolutions of the 10th Party Congress, to prepare the coming 5-year plan period, and to thus "further increase the welfare of the people," as comrade Erich Honecker stated before the kreis first secretaries.

The task consists in attaining, in 1985, in all determining economic indices, even greater performance than in the previous year in the combines of industry and construction, transport and communications, based on the level already achieved. This requires great effort. The elementary prerequisite for success lies in the daily struggle to fulfill the plan goals. Every day, a higher result must be obtained in production--in quantity, quality, and value, and every day, new prerequisites must be created for this through extensive intensification.

Guenter Mittag analysed in detail the overall good results of plan fulfillment during the first 2 months of 1985. At the same time, he pointed to the still existing differences in performance between the combines. He stated the goal that all combines fulfill the major economic indices--net production, profit, products and services for the people and for export. Guenter Mittag pointed out that the struggle for daily plan fulfillment in January and February was carried out under the conditions of a sometimes severe winter and a long-lasting period of cold weather. In this context he honored particularly the performance of miners, energy workers, railroad men, and the many volunteers in coal production. Great recognition was given to numerous combines which, directly after the 9th session of the Central Committee, had assumed new obligations for purposeful surpassing of important indices of the plan.

Program of Cooperation with the USSR Until the Year 2000

In another part of his speech, Guenter Mittag dealt with the great importance of the long-term program of cooperation between the GDR and the USSR in science, technology, and production until the year 2000.

It represents a historic step toward further closeness and meshing of the economies of our two countries, a new phase of overall economic and scientific-technical cooperation. This corresponds completely and in full to the resolutions of the 10th SED Party Congress and the 27th CPSU Party Congress, the agreements concluded between Erich Honecker and Konstantin Chernenko in June 1984, and the resolutions of the economic consultations of the CEMA member states at the highest level.

The agreed-upon major directions of cooperation to the year 2000 document the high degree of agreement of our parties in evaluating the basic directions of further intensification. Our countries deepen their togetherness on the basis of the same strategic concept, i.e., concentration on rapid increase in work productivity, saving of all types of resources, broad use of secondary raw materials, and the development of technological solutions and equipment for reconstruction and modernization of existing production capacities, as well as a significant raise of the technical level and the quality of products.

The program of cooperation establishes particularly high yardsticks: it is explicitly oriented toward the manufacture of, and transition to, new products of world class which ensure high economy in energy and material, the highest possible processing of the raw and work materials used, and complex mechanization and automation of the primary and secondary processes of production. In other words: there is no sector of the economy, no combine, and almost no factory which is not involved in this cooperation with the USSR and is not confronted with new, great and beautiful tasks.

Guenter Mittag recalled the task set by the 9th session of the Central Committee, to continue on the long-term path of comprehensive intensification the long term. This places higher demands on the performance contribution of research and technology. We have formed the combines for the very reason that the flow of intensively expanded reproduction and its acceleration can be managed uniformly within the economy. Today and in the future, the beginning and end of managerial activity consist in organizing scientific-technical work in such a manner that it leads to high economic results at all levels.

Inferences for Managerial Activity

What conclusions can be drawn from this?

1. The starting point for a high performance contribution by science and technology is, and remains, the economic setting of the task in accordance with economic requirements and comprehensive intensification. It is important in science, technology and economy, to orient ourselves by international standards.

2. One of the most important tasks in preparing for the 11th Party Congress consists in attaining a high degree of revewal in industrial production-- to renew industrial production by an average of 30 percent annually, and to attain 40 percent in consumer goods, i.e., to make the results of science and technology economically effective through concrete changes in the product line.

3. Growth of economic profits, particularly in export markets, must correspond to the high rates of production renewal.

4. Every combine is faced with the task of organizing in the best possible way the total process of a most rapid economic utilization of new scientific-technical findings.

5. In all combines, we need a higher scientific level of technological work.

A further part of Guenter Mitta's speech was devoted to the present and future development of producing rationalization means within the combines and factories themselves.

The development and level of producing one's own rationalization means prove today, if and how a collective deals with comprehensive intensification.

Without exception, we continue to need in all combines the quick development of producing rationalization means. It must clearly exceed that of production. Only in this manner can intensively expanded reproduction be ensured in the future on the basis of high work productivity.

What is needed is a qualitatively higher level of self-built rationalization means. Of special importance are the groups for utilization of micro-electronics.

Software for the solution of automation must come from the production of rationalization means. Development of qualified software is the most effective way to automation on the basis of microelectronics.

Reducing it to a common denominator, this means increasing the utility value and thus the quality of products, and lowering the work expenditure necessary for their manufacture. This will make the greatest contribution to national income. We are speaking of new products which represent a true increase in utility value and make it possible, through lowered production expenditure, to realize a high new value.

In this context, the processing concepts of the ministries and combines are of great importance. To elaborate them, and constantly perfect them--this was, and is, the process of deeper economic penetration of the reproduction process in the ministries and, above all, in the combines.

Continued Rapid Development of Consumer Goods Production

Guenter Mittag called the continued rapid development of consumer goods production a task of high political and economic priority. He praised the progress made in the past year and described the experiences of the best combines:

What distinguished these combines?

Through close cooperation with the organs of domestic and foreign trade, they purposefully develop proposals for new products and work out appropriate scientific-technical tasks.

They raise the level and speed of scientific-technical work, particularly through concentrated use of the necessary cadres from Institutes of Technology and technical schools.

They increase the capacities for consumer goods production through consistent efficiency measures and production of their own-rationalization means, as well as developing their own labor force reserves.

They have whole departments and factories, respectively, specialize in the production of consumer goods.

They involve all factories of the combine in consumer goods production--as manufacturers of finished products, as suppliers of parts and components, as producers of equipment and rationalization means.

As Guenter Mittag substantiated in detail, the development of combines represents a new and higher stage in the process of nationalization work under socialism. Now it is a matter of further implementing quantitatively, but above all, qualitatively, the uniform flow of the intensively expanded reproduction in the combines.

In this context, the speaker also explained further measures for implementing the resolution on perfecting management, planning and economic accounting.

In closing, Guenter Mittag stated: if we survey what lies behind us, and look at the new tasks ahead, it shows more than ever that our party was correct in turning early toward the road of purposeful intensification. This was not only an economic, but primarily a political decision of far-reaching significance.

Our achievements confirm our conviction of the capability and strength of the working class, under the leadership of the party, to fulfill its historic mission under all circumstances.

12951
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GERMAN DEMOCRATIC REPUBLIC

RECENT FARM REORGANIZATION ESTABLISHES COOPERATIVE COUNCILS

Earlier Reform Abolished

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 21 Feb 85 p 13

[Text] A reorganization of the agricultural cooperatives is being discontinued in the GDR. As a result, approximately 5,000 specialized plant-growing and animal-raising cooperatives as well as 270 state farms are losing their independence. The model agreement, just published in GDR journals, on cooperation among these farms makes it clear that this reorganization is now being implemented. Politburo members and the minister for agriculture continue to emphasize that the legal independence of the cooperatives will be maintained during the new "cooperation" phase, but that's all. The new model agreement, which must be applied "wihtout schematism," indicates that, in the future, no economically and financially important decision will be taken by the cooperatives; all power rests with the cooperative council. However, as Volkmar Grau, senior party functionary and secretary of the SED district directorate Gera stated, this council will not be a "higher management board" but an organ of the agricultural producer cooperative (LPG) and state farm (VEG) to promote effective cooperation.

Only seven years ago, the specialization of the cooperatives into self-regulating plant-producing and animal-raising enterprises was put into effect. These agreements can now be considered "waste paper." A short time after the SED's Tenth Party Congress in 1981, it became clear that, after the top agricultural policy makers had left, the specialization process would have to be halted. Paragraph 12 of the LPG law, passed in July 1982, already had hinted at the new cooperation policy. Although in the Marxist-Leninist sense, the cooperative group has always been considered "a productive force of its own," it is only now that the political and organizational consequences are being drawn.

In the future, there will be not a single economically important decision that has not been taken by the cooperative council. The industrial policy of consolidating all enterprises into 132 industrial combines will be applied to agriculture as well. Instead of the current 5,000 cooperatives and 200 state farms, this may leave only about 1,000 cooperatives, a more manageable number. The members of the cooperative councils will be chosen by the cooperatives in their plenaries for a three-year period. The "politically and technically most experienced manager of a cooperative or state enterprise will also be

In the future, the cooperative councils will make decisions on, among other things, investment plans and the "implementation of economic relations" among the specialized cooperatives, particularly on "agreed prices", e.g., for feed that the plant producers will supply to the animal-raising cooperatives.

Performance Objectives Outlined

Bonn INFORMATIONEN in German No 5, 8 Mar 85 p 11

> [Text] The agricultural journals of the GDR have published the draft of a model agreement on cooperation between the agricultural producer cooperatives (LPG) and state farms (VEG). This is a crucial step towards restructuring the agricultural sector. Among others, its objective is to "strengthen" and reestablish, respectively, "the historically grown organic unity of the agricultural reproduction process, especially cooperation between plant and animal production."

The new cooperation principles revise, through the application of industrial production methods, the old system that was based on the strict division of large enterprises into plant-growing and animal-raising enterprises. That system, put into effect in the mid-1970s by Gerhard Grueneberg, SED secretary for agriculture at the time, did not meet the expectations of the SED leaders because of the growing discrepancy between costs and results.

Shortly after Grueneberg's death in April 1981, GDR party and government leaders had already indicated a change of course and the systematic strengthening of cooperative relations in agriculture. The draft of the model cooperation agreement, which is now available, demonstrates how a new type of still larger agricultural enterprises will be set up in the future.

By so doing, two objectives are being pursued simultaneously. On the one hand, cooperation between a plant-growing LPD and several animal-raising LPDs, which is tightly organized and even-handedly directed by the cooperative council by way of precise directives, is to correct the shortcomings of the current division into plant and animal production. On the other hand, the intent is to establish an even closer linkage between the LPG and the "state-owned" VEG.

The draft publication makes it clear that future decisions with regard to measures that are economically and financially important to the cooperative group will be made by a cooperative council and no longer by the self-regulating bodies of the individual cooperatives. According to the draft, the partners of the cooperative will transfer to the cooperative council "rights and duties to undertake, on its own responsibility, joint management, planning and economic accounting measures." This includes, among other things, the following rights:

- to plan the investments of the individual cooperation partners,

- to carry out joint investments,

- to combine the resources of the cooperating partners into joint funds and to decide on their use.

This also includes the council's responsibility for drafting management regulations for the cooperative group. Among all participating partner enterprises, the cooperative council is considered the body responsible for joint management, planning, organization and accounting. Members of the cooperative council will be the chairmen of the LPG and the directors of the VEG, the directors of the cooperative institutions as well as the farmers of the cooperatives and workers.

The "politically and technically most experienced" LPG chairman or VEG director will head the cooperative council for a period of three years. Likewise, the members of the cooperative council will be appointed by the plenaries of the cooperatives for three years. As a rule, the cooperative council will convene once a month and--to quote directly--"make its decisions after collective deliberation."

7821
CSO: 2300/373

HUNGARY

TRADE WITH CAPITALIST COUNTRIES DESCRIBED

East Berlin AUSSENWIRTSCHAFT in German No 16, 17 Apr 85 pp 3-4

[Article: "Economic Relations with Capitalist Industrial Countries"]

[Text] According to a press conference statement from Foreign Trade Minister Peter Veress in February, Hungary came up with positive results in its trade with capitalist industrial states last year. Particularly, the import-export balance was improved with those states.

That was mainly due to more exports, exceeding $ 150 million, to the developed capitalist countries, as imports from those countries stayed fairly much on the same level as in 1983. Hungarian growth rates were especially notable for exports to Switzerland, UK, the United States and Austria. In terms of the export commodity structure, more than 40 percent of the deliveries, typically, went for materials, 30 percent for foods, some 20 percent for consumer goods, and only 6 percent for machinery and installations. There was an increasing proportion of metallurgical products, chemical products and animal foodstuffs, while that of machinery and plant food declined.

In contrast, nearly 70 percent of Hungarian imports went to materials and parts.

The capitalist industrial countries' protectionism impeded Hungarian exports mainly in agriculture, the foodstuffs industry, and the steel and textile industry. Those measures thus affect circa 40 percent of the Hungarian export commodities.

Now Hungarian imports also are confronted with restrictive measures by the capitalist states, for some chemical and machine construction products. It holds true also for machines and installations with modern technical equipment. The U.S. export licensing system has been tightened greatly, and the volume of so-called forbidden goods at NATO's control organization, COCOM, has been broadened. These measures increasingly involve also Hungary's other capitalist trade partners. These unfavorable conditions for Hungarian foreign trade with capitalist countries are further burdened by that the rate of economic growth in the capitalist states is going to slow down in 1985.

FRG

The FRG is Hungary's foremost trade partner among the capitalist industrial states. The structure of Hungarian exports to the FRG has profoundly changed within the last 10 years. Due to EEC's protectionist measures in agriculture, the proportion of farm products declined. At the same time, the export of raw materials and semifinished products increased. Because of the deepening of cooperation relations, the machine construction sector also boosted its shipments to the FRG. The breakdown in Hungarian exports in 1983 was as follows: 40 percent in raw materials and semifinished products, 28 percent in agricultural and foodstuff commodities, 7 percent in industrial consumer goods, 4 percent in energy sources.

Hungary's most important export commodities at this time are meats, poultry, wine, fruit and vegetables, textiles, leather items, chemical and pharmaceutical products, rolling mill products, machine tools, electric bulbs, refrigerators and kitchen-ranges.

Hungary's imports mainly include chemicals, high-grade rolling stock, machine tools, electrical engineering equipment, farm machines and synthetic products.

Hungary's trade balance with the FRG is negative. In 1984 Hungarian exports covered 73.4 percent of the imports.

Last year, the economic, industrial and technical cooperation agreement between the two countries, signed in 1974, was extended for another 10 years. It was observed that the number of cooperation contracts had risen to more than 350.

More cooperation relations have been agreed on recently.

--Hungarian and FRG firms set up the joint construction enterprise Interbau. Involved in it are the state construction enterprise of Gyor , in charge of general construction planning (with its seat in Budapest) and the FRG firm of Sueba, Mannheim and Bernhardt, Heilbronn.

The tasks of the joint enterprise are the planning and complete construction of apartment houses, commercial and industrial projects, the organization of technical services, marketing, construction research and construction techniques, and cooperation on third markets.

The founding of Interbau offers the Hungarian construction industry the opportunity of exporting products and services to Western Europe and to the FRG firms the benefit of taking part in Hungarian construction projects.

The two Hungarian partners hold a 51-percent share, the two FRG enterprises, a 49-percent share in Interbau.

--Top executives of the Hungarian firm Caola and of Hamburg's Schwarzkopf GmbH recently signed a contract in Budapest on setting up a Joint Venture. That came after several years of cooperation. Caola, among other things, has been producing deodorants and soaps on Schwarzkopf licenses for years.

Still in 1985, Budapest expects to start producing hair-dressing items estimated to bring a return of circa Ft 100 million for 1985 and 1986 together.

--A Hungarian producer of steel products, assisted by the foreign trade firm Intercooperation AG, has signed a new cooperation contract with the FRG firm Guehring. This cooperation makes possible the reconstruction of the boring tool production and the modernization of machinery previously supplied by Guehring. Hungary will also use installations produced in the FRG especially for manufacturing new boring tools. These machines are less energy-intensive and require less service personnel.

The manufacture of new boring tools expands the Hungarian inventory and improves the domestic supply situation. It can also enhance Hungary's exports to capitalist industrial countries. The FRG partner is also involved in selling the new products abroad.

--The FRG chemical corporation BASF and the Hungarian foreign trade enterprises Pemu and Chemolimpex have set up a joint enterprise for the processing of synthetics. The stock of the new enterprise Kemipur comes to DM 4.4 million, BASF holding 49 percent, Pemu 41 percent and Chemolimpex 10 percent. Production is to start early in 1986; the seat of the enterprise is in Solymar, Pest.

BASF supplies the technology for setting up the enterprise, the production procedure and some of the installations. Hungarian enterprises are making the other machines.

The new enterprise Kemipur is expected to produce 10,000 tons of polyurethan foam annually. After investments are fully placed, the volume to be processed in Hungary is expected to come to 7,200 tons, which covers Hungary's requirements. The rest of the output will be exported to third countries via the trade network of Elastogran, a BASF subsidiary.

Examples for the successful Hungary-FRG cooperation on third markets are
--the sale of 680 Ikarus busses to Venezuela with the help from a partner of the FRG,
--the cooperation between the Hungarian Transelektro enterprise with FRG firms in supplying power plant installations and boilers valued at $ 46 million to Turkey and at $ 21 million to Greece,
--joint smokestack construction in Libya, Iraq and Iran,
--joint construction of port installations in Nigeria and Iraq by the Hungarian ship and crane construction works and FRG partners, and
--the Hungarian foreign trade enterprise Komplex with FRG partners sending complete stockyards overseas.

France

According to the Hungarian daily NEPSZABADSAG, France has lost some of its importance in recent years among Hungary's foreign trade partners. The reason purportedly is the dynamic foreign trade turnover development with other states.

The structure of the commodity exchange has for all intents and purposes kept constant in recent years. Some 40 percent of the Hungarian exports are farm

and food commodities, 37 percent consumer goods, 20 percent materials and semi-fabricates, and 3 percent machines, industrial installations and instruments. The proportions of the Hungarian imports are as follows: Materials and semi-fabricates 66 percent, modern machine construction commodities 22 percent, industrial consumer goods 7 percent, and food products 5 percent.

Foods have held a prominent place in Hungarian exports for years. In 1983, e.g., France received 710 tons of goose liver at a value of $ 14.8 million. Notable also in the same year was the export of pork ($ 8.1 million), basic pharmaceuticals (5.5), live and dressed game (3.4) and electric bulbs and fluorescent tubes (2.7). Hungarian refrigerators also find good reception in France (1983: $ 10.7 million).

Important import commodities in 1983 mainly were chemical products ($ 32.5 million), pharmaceutical products (18.7), electronic components (10.2) and rolling stock (7.8). According to NEPSZABADSAG, an analysis of the commodity trading structure illuminates the problems of the not fully exhausted possibilities of Hungarian-French economic relations alike. Hungary, with respect to its economic developmental level, considers possible a dynamic export expansion for machines, chemical products and industrial consumer goods and a further extension of cooperation relations. At this time shipments based on cooperation contracts come up to circa 10 percent of the overall trade.

Examples of successful cooperation are the joint presence of the firms of Mogurt-Ikarus and Renault on third markets (600 busses for Algeria) and the cooperation between Chemolimpex and Rhone-Poulenc, starting with coordinated R&D projects all the way to mutual trade and their joint appearance on third markets.

The Hungarian foreign trade enterprise Hungarotex and the cotton textile works of Budapest signed a new cooperation contract, that is to run for 10 years, with the French firm Cernay S. A. last fall. The Hungarian production enterprise is going to put the complete production technology and the know-how of its French partner into its own production, from the processing of raw cotton to the manufacture of finished fabrics. The outcome of this cooperation will produce fashionable sports and leisure wear and bulk cotton and cotton-mixture fabrics for work outfits. Some of the bulk produced in Hungary will be taken over by the French partner.

The general directors of the Budapest foreign trade enterprise Chemolimpex and of the French firm Amtel Chimie et Plastiques (ACP) in December 1984 signed the document that sets up a mixed enterprise. This new enterprise, Chemol-France, has its seat in France. The developmental stage of both countries in the field of chemical industry and the reciprocally complementary nature in several fields of that industrial branch will make possible more of a bilateral trade than before.

Hungarian economic experts see other chances for cooperation in computer technology, microelectronics, biotechnology (e.g. sewage treatment), agrotechnology, agriculture (e.g. in the growing of seeds) and the foodstuffs industry (e.g. canning and juice production and poultry processing).

Italy

Negotiations between foreign trade ministers Peter Veress and Nicola Capria, which concluded in mid-February, asserted the will on both sides to create favorable conditions for expanding trade and the cooperation between enterprises in both countries. The development of cooperation relations in foodstuffs and the processing industry is supposed to receive special attention.

Among Hungary's capitalist trade partners Italy has held the third spot for years. After some stagnation in their trade in the early 1980's, 1984 saw a dynamic increase of it.

Currently, between 3 and 4 percent of the trade comes out of cooperation contracts. The contracts signed with FIAT, Montedison, ENI and IRI, supported by the Hungarian foreign trade bank and the state administration for Hungary's technical development, are to be doubled in size in the foreseeable future.

Agriculture also offered vast possibilities for further deepening economic relations.

Hungary sees possibilities for cooperating on third markets in such fields as energy production equipment, water management, technical and social infrastructures, lighting systems, hospitals and education institutions.

When the premiers of Hungary and Italy met in the fall of 1984, much was said about their bilateral economic relations and their further development. It was noted that Hungary could boost its exports in meats, live animals, livestock feed, linseed, venison, deep-frozen vegetables and fruits, salami and goose liver while importing more Italian citrus fruit and Mediterranean products than in the past. Conceivable also would be cooperation in fields like maize processing, nonalcoholic beverages and diabetic foodstuffs. They also discussed there the credit and banking relations (Hungary in early 1984 got a $ 150 million credit to finance the imports of Italian industrial commodities, semi-finished products, machine and machine parts, complete installations) and cooperation in the transport systems (they are considering, for example, the chance of a greater use of the port of Trieste for Hungarian foreign trade).

Hungary's Foreign Trade with Capitalist Industrial Countries	1984 Turnover in billions of forints	Exports	in %[1]	Imports (billions of forints)	in %[1]	balance (billions of forints)
FRG	72.5	30.7	111.5	41.8	112.1	-11.1
Austria	41.8	21.9	134.1	19.9	116.2	+ 2.0
Italy	23.0	13.5	108.9	9.5	111.8	+ 4.0
USA	20.7	11.1	145.5	9.6	100.2	+ 1.5
Switzerland	17.1	9.3	167.8	7.8	99.2	+ 1.5
France	13.7	6.9	119.6	6.8	98.4	+ 0.1
UK	13.3	6.2	148.2	7.1	90.8	- 0.9
Netherlands	9.6	4.6	124.9	5.0	109.9	- 0.4
Sweden	6.7	3.0	123.6	3.7	115.5	- 0.7

[1] 1984 against 1983. Source: Hungarian Central Statistical Office

5885
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HUNGARY

STATE TAXIS DEFENSIVE ABOUT PRIVATE TAXI COMPETITION

Budapest MAGYARORSZAG in Hungarian 11 Apr 85 p 32

[Article by Zoltan Gyulay: "State Owned on the Defensive"]

[Text] A rise in prices is never actually welcome by anyone. However, sometimes it is unavoidable, especially with services satisfying vital needs. Taxi is one of these. But - somebody may remark - there are 4,500 private taxis on the streets of the capital, while only half as many taxis are run by the state, i.e. by the Capital Autotaxi Enterprise.

This is Even Cheaper

Are state taxis needed at all? - some people ask. And isn't it artificial to oppose the two? Eventually everybody who is not quite satisfied with the present situation most often puts the blame on Fotaxi--along with Volantaxi on occasions--for the intolerable situation. The situation is really intolerable but we have to look deeper into the causes in order to make a fair judgement.

The fact is that the National Material and Price Office has eventually made a final decision on a 18.6 percent increase in tariffs starting at midnight on 4 March. In practice this means 1-forint surplus charge on the 5.70 tariff for every kilometer while the basic charge remains 8 forints--i.e. for 2 forints a taxi will run 296.5 meters instead of the previous 353.3. At the same time fee for waiting has increased from 1 forint to 2 forints.

Is this too much or too little? Private taxi drivers charge much more: 8-10 forints per kilometer in general but some of them charge 12 forints per kilometer--and furthermore they accuse the two state taxi companies (Fotaxi and Volan) of unfair competition, of having a "price-cartell" to do away with all the private tariffs that are higher than the state tariffs. In their view these state companies can afford this by having enough profit - while the "artisans" of the same business have no extra profit, they have to live on what they make out on the streets, so they cannot stand up to competition. In their accusations against the state taxi companies there was no mention of tips which is still an undecided issue: should private taxi drivers be given tips or not--since the tariff is their own income as well.

Let's see if these charges are correct and to what extent. For the 2 state taxi companies until 4 March tariffs were not self-determined. Along with the

private taxi owners these state companies were also affected by the overall economic situation. The last increase in tariffs took place in the spring of 1980 when a liter of fuel used by taxi drivers cost only 10 forints.

Nowadays 40 percent of the immediate expenses of Fotaxi is spent on fuel. Increased fuel costs resulted in a 480-million-forint extra expenditure for the company. Spare parts and motoroil have also gone up in price in the meantime, cars themselves cost 1/5 more these days and they are much more difficult to purchase. Add property and income tax on top of all these and an annual investment tax of 12-million-forints, which brings about a situation whereby the same car costs the company more than it costs the private tradesman--although the car itself is a source of income for these private people and the purchase of cars is an unsolved problem to them. Fotaxi has to pay 100-million-forints as an annual contribution to community development--for the use of public roads, that is. Private taxis use the same roads without payment. While the state companies have to pay an annual income tax of 26,400 forints on each of their cars the private tradesmen only pay 7,200 per car.

Eleventh Hour

Fotaxi has nearly gone bankrupt. Since they could predict this they were already planning on a rise in fees in the autumn of 1983 but only handed in the respective application to the National Material and Price Office in the spring of 1984.

Taxi services belong to the unregulated price category but it is only theoretically so with the state taxi companies. Private taxis set their own price limits--limits they find reasonable--and can charge as much as they want--their meters are set and certified accordingly. State taxis can only raise their fees with a permit.

Due to changes within the sphere of authority inside the office the decision had been delayed and put off from 9 September to 1 January. The second request to this extent in December was turned down as well. In the meantime, from the category for public utility companies taxis have been put into that of free competition. The argument to justify this is that they are not providing a private service.

The National Material and Price Office made its decision in the eleventh hour: Fotaxi was notified on 25 February, Monday evening, that their application had been approved and would be effective as of 4 March at midnight.

We may say that the case has come to a satisfactory ending,however, it is worth drawing some general conclusions. First, that pro- and con-arguments should always be examined in context and not on their own.

No doubt that nowadays it is up to the individual--within the law--with what and how he makes a living. Thus, of course, he must be aware of what his choice involves.

Because having no constraints involves duties as well as rights. It is not fair to undertake something and then to complain about the difficulties of making a

living by the chosen way. Especially if the person in question used to be a member of a state taxi company and it was his own choice to give up a safe way of making a living for the less secure--driving a taxi is not a goldmine for anybody. While some stand up against rivalry and competition, an existing phenomenon, though misinterpreted; others are trying to get concessions from Fotaxi.

Debates on Stands

Debates center on the issue of stands first of all. Private taxi drivers use the stands of state companies with no hesitation. Fotaxi, however, only consented to their right to pick up passengers if state taxis are not around. Why would private taxis need permission to use these stands? Because Fotaxi spends several million forints annually on the maintenance of their telephone network and on the rent of these stands. And private taxi drivers want to use the stands the state company pays the rent for. Last year their argument was that the Highway Code only uses the term 'taxi' and don't differentiate between private and state taxis. It is an appealing argument but what about the stands labelled: 'For Private Taxis'? Why do private taxis so rarely use these?

Close Combat at Ferihegy Airport

Ferihegy Airport is another sore point where state taxis are only allowed to use the stands allocated to them while private taxi drivers--since the organization representing their rights was not willing to let them stand in line along with state taxis while waiting for passengers--wait inside the terminal trying to lure away the best, wealthiest passengers. And most of the time they succeed.

And a subjective notion to end my train of thought with. The passengers who can tell and who understand the difference take the label of the company they like--Fotaxi, Volan or City-taxi--as a sort of a guarantee for a service that lives up to their expectations and equals the fee they pay for it. People don't have the same expectations for private taxis since the Association of Private Tradesmen is not an employer or an authority so complaints are difficult to settle.

We have not dealt with all the problems involved and yet we can see how complex the situation is. One thing, however, is unmistakably clear: rigid rules are not necessary for doing a job right. Taxi services can be subject to competition but this competition is only fair if the 'organizers of the competition' provide equal footing for it.

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HUNGARY

ECONOMIC POLICY REFORM EXPECTATIONS, PROMISES

Budapest MOZGO VILAG in Hungarian No 1, 1985 pp 110-115

[Interview with Laszlo Antal, economist, department head of the Financial Research Institute, by Katalin Mogyoro: "What Can We Expect From the Reform?"]

[Text] [Question] The Central Committee resolution of April 1984 aroused in many the hope that the intention to further develop the economic mechanism had succeeded in a final way.

[Answer] The April resolution contains gigantic possibilities. But I regard it as a starting point, not an end point. The question is whether it will be a real reform or a pseudo-reform, whether some real change will be able to break through or whether this process will hang up as a collection of partial changes and great reorganizations--or even turn into its opposite.

[Question] So now we should make a list of which factors aid the realization of a true reform and who or what are the brakes on it.

[Answer] It is easier to start from the negative side, because if we prepare an inventory of everything holding things back it might be easier to overcome them. In contrast to the 1968 reform--which decided on profit interest and an end to central plan directives--the present reform promises changes of much greater import: the development of an autonomous, entrepreneurial, multi-colored, heterogeneous enterprise organization and a vigorous spread of the role of self-activity and self-organization. This could predictably reduce the role, power and prestige of various administrative organs, they will have less opportunity to distribute resources and select leaders. Since up to now they have had a gigantic role in the economy, we can count on it that now they will become interested in opposing change. Of course we need not fear that they will question the party resolutions, they will only say that they must be realized cautiously. And perhaps some instruments will turn more to formal implementation rather than to putting the essence into practice. It can be imagined that some will want to expand the possibilities of self-management in such a way as to make central intervention possible as well. It appears from the minor daily debates that a constant Sisyphean struggle is going on, and I say frankly that one cannot see the outcome of the struggle. But it is virtually a law that opposing forces will arise.

Let me go on. The large enterprises were and are in a peculiar position. They depend on state guidance much more than the smaller organizations, and they have supply responsibilities too. At the same time they have a number of privileges. For these reasons a gigantic enterprise goes on the rocks differently--even in a formal sense--than does one of more modest size. This is natural too, for it is not possible simply to close, let us say, a managing unit with a thousand employees. And it is also difficult to declare that they must reorganize because of economic losses. Up to now the large enterprises got central supports more easily; their leaders are "embedded" in the political-social-cultural leadership. But insofar as the reform program is to have break-through force, the privileges of the large enterprises will decrease. It is true that the importance of the viable large enterprises will remain, but not in the same form as at present. It is an entirely natural, human thing that the leaders of the large enterprises are afraid of the reform. And it is not entirely clear to them what new values they may receive in exchange for the security and privileges they may lose. A person who, after this, will be given his post for a definite time, by election, may fall much more easily. There will probably be cases where an enterprise will not even get into a failure situation and yet its chief economic leaders will be dismissed for some bad decision. It also creates a new situation that they will have to get used to the idea that no enterprise is protected from going bankrupt. So, after saying this, one can understand that even leaders of the enterprising type are not enthusiastic about the changes to be expected.

[Question] Might it not facilitate the implementation of such a large-scale reform program that very many enterprise leaders are retiring now? The people who now value the 1960's are those whose entire lives were tied up with the large socialist enterprise, or rather the older forms of such enterprises. They regard them as their own creations, and justly so, since they have had the marshal's baton in their hands since the nationalizations.

[Answer] It is true that since 1979 there has been an acceleration in the retirement of the generation of those who met the liberation as young adults. But this has not been on such a large scale as to ease the situation. In addition, those who came just after them are also bound strongly to the old. Let us admit frankly that there were no such big changes at the large enterprises even after 1968.

As I see it, acceptance of the reform program is being accelerated primarily as a result of economic necessity. The economic problems have taken on such a magnitude that they have taken on social, political significance. But to return to the opposing forces, I also consider it a bad thing that in connection with the reform program much has been said about continuity and less about doing things differently. But being enterprising means something different than profitable management means. It includes the idea that a large enterprise can get into something entirely different in addition to its own profile--or instead of it, if it is not working. It also changes the circumstances that in the future one will not have to manage with capacities but rather with capital and property. It would be better if we were to make the process clear and say that in many cases in the future we must do things which differ from what has been done thus far.

[Question] I believe that this sort of propagation of the reform program, emphasizing primarily the continuity, is a reflection of the fact that they have so very often stated at the upper levels: "Our policy is unchanged!" And this has given people a sort of feeling of security.

[Answer] This has been so because this is how compromises are made in our political structure. In my opinion compromise is a very beautiful word, but it has a derogatory ring here. It took on this ring because with its aid it was possible to postpone decisions until later. General formulations were given birth to in the hope that life would decide which position or which organization was the stronger. So then these compromises became obscure and uncertain.

For the reasons outlined above it really is not clear in the eyes of many in what direction the reform points. But it is clear what we might lose. There is inflation. Until 1977-1978 the living standard of many increased vigorously. Getting ahead was a real possibility for the majority in society. But today the income positions have become shaky, the possibilities of polarization have strengthened. Some even have a certain fear of unemployment, even if the threat is not real. Earlier values have been questioned. In the past everyone accepted that the state would decide all the important factors connected with the standard of living. This appears in the ever returning question, "Why are they raising prices?"

[Question] And you, a reform economist, what answer can you give to this?

[Answer] Price increases are unavoidable. The alternatives were the following: Either the government permits greater scope for increases in consumer prices or it makes wage management very rigid. It might have been decided to let the shortage economy pile up too, and this would have increased corruption and encouraged the creation of special supply systems. Those working on the reform program and those making political decisions felt that we could undertake two things--income polarization and what goes with it, a faster increase in consumer prices. Of course, if it is not clear to society why this is then they may feel either that things will go well for him at the top because his connections are good or that things will go well for him at the bottom because, for example, he is a small entrepreneur. According to public opinion, these two strata will be able to sneak out from under our bureaucratic regulation. If there is ambiguity then they can only draw such conclusions.

[Question] There is this much truth in that, that the state can really keep in hand one definite area, the area of state enterprises.

[Answer] This is not true only to the extent that 70 percent of those working there do not get their income from this one source. The workers, the peasants and even a large number of the intellectuals are linked into the second economy in some way. And although only a very select group makes really large incomes in Hungary, many do earn 2,000-5,000 forints a month to supplement their earnings.

[Question] Many are believers in the reform just because they feel that freer earnings possibilities will be guaranteed by it. And they also list it among the positive features of the reform that a shortage of goods will not be noticeable.

[Answer] I consider the increase in consumer prices to be a positive feature of the reform as well. But it is a fact that we will be able to win broad public opinion to the cause if the opportunities expand, if the limitations of monopoly situations and privileges crumble. If the process has these consequences then we can count on positive effects.

Today, for example, the judgment and acceptance of the second economy is very ambiguous. This sector has existed before, all that has happened now is that one little slice of it has been legalized. Very many reacted and are reacting so sensitively to this.

[Question] I think that the broader economic environment surrounding us will also influence the chances for a further development of the mechanism.

[Answer] How the CEMA countries manage is crucial for us. This will influence our development more than its share in our external economy, although that also is very significant. We must continue to reckon realistically with the fact that we have many internal conditions which developed in the past under the influence of different economic laws. In many respects these conditions are no longer favorable, but it is extraordinarily difficult to change them. There are principles which virtually became laws, which we now have to keep reevaluating continuously. For example, it must be said frankly that the planned changes may result in management which is more efficient, but not more just. The rules of economic rationality are not necessarily humanitarian, just as the market is not. Our present economy is very redistributive; that is, regrouping or redistribution takes place on a large scale. Only in this way could it have happened that some enterprises will be in debt right up to the year 2000 or that in some places it takes 100 forints to produce one dollar. A spread of this size could not come into being where efficiency systems operated normally. Today, for example, if we took bankruptcy proceedings very seriously and introduced them it is possible that 30 percent of the economy would go under. Such an impossible situation cannot go on. And yet it is a fact that the imagined ideal financial systems simply could not function under present conditions. It may be the result of a longer process until we will be able to change this, and in the meantime--necessarily--we must reckon with many inconsistencies. There will continue to be parts of the economy which the government will protect with large-scale redistribution, while certain segments of it are gradually linked into the entrepreneurial system. This sort of thing is happening now. In any case, it is part of the essence of the reform process that this self-organization can never become complete.

[Question] So there are forces at work here which cannot be foreseen even by such a skilled economist as yourself. Would not the reform have a greater chance of success if the democratic institutions of the state were to work better than they have up to now, if the local organizations had a greater say in the course of events?

[Answer] I can answer this question only by saying: "Well, yes!" But in this connection I must say frankly why it is that we are always talking only about economic reform. It is true that the enterprise council and a few other planned new developments will bring elements of self-organization into the economy, and this may have a further effect, but we must see clearly that for the time being there will not be such radical change in state theory. State guidance will change to the extent that other economic organizational systems change. I am thinking of such things, for example, as the legality supervision which will take the place of the supervisory sphere, the creation of small banks within the financial system, the development of the bond market and a somewhat larger interest representation role for the Chamber of Commerce.

The entire reform process started in the form of economic reform. But it is a fact that these changes suggest social changes too and to a certain extent have resulted in such changes already. But for a good time yet we must count on the reform being fenced in. We must get the idea of it accepted by those who do not yet want it. For example, certain ministries will obviously have to reckon with a reduction of their areas of authority. And resistance can be expected from certain social organizations as well. So acceptability can be achieved only if the limit on the changes to be expected is obvious, and if it is possible to control them from without. If the process gets started then it is possible that it will bring more profound changes after it. The constraining economic problems always project these questions. To put it more concretely, I am thinking of such things as the creation of the Ministry of Industry was. By uniting three ministries we were able to see to it that there was a direct, administrative type link between the guider and the guided, that the ministry should manage with enterprise tools. Of course, it is not easy to reduce such areas of authority--as practice has shown--and this is why the reform process is affecting public administration in an ambiguous manner. Of course, it would be good if the reform could produce changes more frontally, changes extending to politics and society as well.

[Question] But simply because this is not so, the outcome is also more uncertain. Its fate may be decided by internal skirmishes which public opinion knows nothing about.

[Answer] If a wise man were to answer he would certainly say to this that the conditions are not yet ripe. He would be thinking of the conditions, of the sort of link existing between those who have a say in economic and social life and those who have a say in political life--the links between the guide and the leading intellectuals influencing the guiders, between those in the command posts of different organizations. For example, the situation today is such that there are more of those who individually think that a broader reform is needed than those who will say so publicly, in their own positions. Changes are still initiated from above here, even those changes incorporating elements of a compromise made with the opposition. For example, in 1968 it was possible to get the reform started by promising that the changes would not affect organizational and cadre questions. But even in the narrow sense these are economic questions. The changes starting now have a broader scope. I feel, however, that the limited scope is a necessary feature, simply because the reform suggests more profound changes, going beyond the economy.

[Question] Some theorists list among the weaknesses of the reform that an ideological foundation for it has still not been worked out.

[Answer] Yes, and this is our fault, the fault of the economists. In the beginning we did not consider it important to bring the representatives of other branches of science into the development of the reform policy. I might formulate this by saying that there was no true popular front policy in this area. Today, however, it appears that the situation has changed a bit; lawyers, sociologists and other social scientists are dealing with the question more and more as a result of the increased interest.

But as I see it the theories of reform can be worked out only after the close of the experimental periods. If I think only of the economic theories of Lenin, what different views he espoused in the few years after the October revolution, from war communism to the NEP [New Economic Program] era--depending on changes in the situation.

And the consequences of our reform cannot be foreseen either because it is being built on behaviorial rules which will develop as a result of the reform measures. For example, if we liberalize wages then we must strengthen the competition between managing organizations, because otherwise an immediate and great inflation would result. I am not much of a believer in program ideologies, because they pertain to the future and start from imagined political values. It will be much more reliable if we develop our ideology from many sorts of experiences, from the results of the experiments. But this much is certain already, that the planned changes tend toward a society centered on man, where organization will be created not by regulation which paralyzes every movement.

[Question] Up to now you, the economists working out the reform, have had the task of emphasizing the necessity of the changes. Now seems to be the time for you to "sell" public opinion on the possible consequences of the reform.

[Answer] You are completely right in that, the only problem is that we have few economists who can write in a readable way, free of professional jargon. There are many such experts among the Anglo-Saxons, for example, but unfortunately not among us. Of course the reason for this is that we are not used to making non-economists understand what it is that the figures and regulators hide. Of course there are opposite examples in this area too--there has been a debate about this theme in HETI VILAGGAZDASAG and the economy has even broken into the columns of ELET ES IRODALOM.

[Question] It would have to be made clear that the various strata and groups can expect different things from the reform. And it is also part of the truth that it may affect most sensitively those who have the least influence on the development of events. I am thinking, for example, of elderly people with small pensions, but I might mention people with many children also. Only if the planned changes in social policy are worked out and put into effect as quickly as possible will we be able to prevent the situation of these groups of people from becoming worse.

[Answer] Yes, we are in a phase delay in this regard. The first thing is that interest protection should appear independently. Unfortunately a new social policy has not been developed yet, and the further development of the economic mechanism is changing many, many things even now. It is obvious that there will be a need for different social distribution mechanisms. For example, with the introduction of the progressive personal income tax there should be an integrated measurement of what the income and property situation of each family will be. But the debates in this question are very great. And more and more decisions should be moved down to the level of local organizations. I could imagine something like this, that those families in which the per capita income exceeds 6,000 forints should give up the family allotment. At the same time we should see to it that the standard of living of no one sinks below a certain level. Unfortunately things are developing with great difficulty in this regard.

[Question] Surely the future of the reform will be decided most of all by the extent to which it can break into the various areas of life.

[Answer] And it must overcome great resistance. Today, for example, many are saying that it is unacceptable that much higher incomes can be earned in the enterprise work associations (VGMK's), but they do not take into account that the work intensity and effort expended are much greater in the VGMK's too.

[Question] At the same time it is a fact that although the VGMK's are trying to correct the sluggishness and inflexibility of the large enterprises, they can in no way be regarded as the perfect solution.

[Answer] These are salami tactics. We must try to break down the profile limitations of the large enterprises. Try to get them to establish subsidiaries. If a multi-player capital market gets into this then perhaps changes may begin within the enterprises sooner or later, even undertakings such as those in Dunaujvaros. Very many personal, human ambitions could be liberated here. It is not only a differentation of incomes that might have a greater role, I feel that increasing the possibility of movement, of mobility is at least as essential. Of course this will require that we guarantee the regrouping of capital to the development of the best areas. If the entrepreneurial and mobility possibilities were to increase in parallel then the role of creative work would increase in the state sector too. And this might start crucially significant changes. In the future the good enterprise will be something different than it has been. We must count on a mass of rearrangements, and they will go smoothly if they are accompanied by an expansion of the possibilities for human changes and decisions.

There must be management in the economy, not administration. We must develop and cultivate our political negotiating, which means that the state should not say what one must come to an agreement on, but rather only what one cannot come to an agreement on.

[Question] To what extent have you people been thinking in the long term? Will the changes of these years take us to a level from which it will be impossible to go back to a centralized directive system?

[Answer] In my opinion it is already impossible to go back. A good example of this was when they introduced a tax tightening in household plot production in 1975-1976, the meat supply deteriorated immediately, and in the wake of this warning the limiting measures had to be dismantled. Already we must recognize that peasant incomes can be regulated only via the market. If the new small undertakings develop and strengthen in other areas of the economy as well, then a retreat in those areas will be very difficult too.

[Question] So in the final analysis you are optimistic regarding the future of the reform?

[Answer] I was very optimistic even in 1968, although I was just getting started and this was natural in a beginner. It is possible that I was only projecting my optimism of the time onto others, but I felt that this great optimism could be felt widely then. The reform promised better supply, better quality, greater possibility for movement. And the variety of goods and the standard of living really did improve tangibly in the beginning. They were getting people to accept the reform with very effective propaganda then, and this was not difficult--just because of the initial results. Then, at the beginning of the 1970's, we had to admit that some of the institutions had an interest in anti-reform processes, and they were able to organize themselves into a counter-force. At the time we vaguely imagined an economy which would fit organically into the world economy, one which would be tied to other economies by joint undertakings, cooperation and international financial institutions. This image lost its timeliness after a few years. The present reform program goes back to 1979-1982, a period after which the country came very close to insolvency. This period was dominated by raw force. The small undertakings were born as a partial solution to a shortage economy. I see some danger in the fact that our present efforts to catch up may be followed by a spontaneous isolation, without anyone really wanting it.

[Question] Are you thinking of how international contacts continue to cool, so an internalization may become necessary?

[Answer] If the performance capability of the economy does not change, if people's attitudes to their work and work places remain unchanged, then apathy and dissatisfaction may arise. I am not thinking of foreign policies, I hope that the situation there will improve in 3-4 years. But if we do not carry out the planned reform consistently, then we may get involved in a series of minute forced measures, and finally this could lead to isolation. A real implementation of the reform program, on the other hand, will prevent internalization.

[Question] So, finally, what prospects does the reform promise?

[Answer] That our economic balance will improve, that the entrepreneurial possibilities within the enterprise will increase. This latter could contribute in a basic way to improving public morale, even if it is accompanied by an increase in conflicts. The possibility of choice will be greater for the members of society. And it might also influence spirits more favorably if an end is put to the shortage economy and to the hidden

corruption. It would also be good if worker ownership awareness should develop as a result of the change in management conditions within the enterprise.

[Question] And, perhaps, citizen ownership awareness will develop sooner or later as well.

[Answer] I have no hope that this will be so in the near future. But if a person can have a say in the affairs of his immediate environment, he will consider that a valuable thing. Then he may feel that every affair which affects this country is his affair too. And this may become citizen awareness as a result of a longer process.

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ENTERPRISE EXPECTATIONS FOR 1985 PUBLISHED

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[Article by Marton Peto, Chief Department Head at the Institute for Economic Research: "Forecasts for 1985 by Industrial Enterprises"]

[Text] At the end of 1984 the Institute for Economic Research asked nearly 900 industrial enterprises and cooperatives about their economic development for 1985 and what effects they expected the adjustments to the economic regulators to have. In the middle of January of this year the Institute processed the preliminary plans of about 100 industrial enterprises and at the end of February it conducted a round-table discussion on the subject with business managers of nearly 30 industrial plants. (The share in the industrial production and non-ruble export of companies participating in the year-end survey is about 90 percent. The January inflation affects about two-thirds of production and export, the February inflation affects about 40 to 50 percent.) Obviously the opinions indicate merely the direction and trend of the expected changes in enterprise management. At the same time they reflect plans based on the particular situations and interests of enterprises that were carried out at the time of the survey. According to the results of the survey from early this year these plans, as a result of constantly changing conditions, change in their scope, if not in their tendency. The perception of the external conditions and partially of the internal economic processes is more favorable than before, so the margin of error in the prognoses for enterprises is smaller.

In summary, prognoses for enterprises indicate a small boom, gradual favorable changes, a widening of company independence and scope of activities as a result of modified regulators, plus a greater need for increased efficiency, but also more tension in the economy.

Production

According to industrial enterprises the volume of production is rising by 2.5 to 3 percent which is close to the national economic plan. Sales and supply problems are still considered by enterprises to be the main obstacles to an increase in production. At the end of February energy-dependent companies also talked about the possibilities and problems of the necessary recouping of losses incurred as a result of energy cutbacks. According to more than half

of the companies the modification of regulators has a positive effect on the usage of production capacities and expansion of production. Salary and price regulations -- especially in the machine and chemical industries -- help technical development and the modernization of the production structure, while the building and usage of interest base limit them, primarily because of the proportions, and not because of the construction.

According to the enterprises the volume of domestic sales is rising by about 2.7 percent, surpassing estimates. The machine, chemical and light industries have expanded above average. Domestic market sales have grown above average and investment and processing production have increased to close to the average. Because of the moderate increase in domestic consumption the domestic market -in opposition to company opinions -- can only play a limited role in the upswing of industrial production.

According to enterprise forecasts the ruble export is expanding by about 4 percent. The increase in metallurgical and chemical enterprises is above average. Companies in the machine industry show above average increase, while expansion in companies in the light industry remains below average. Cooperatives expect an above average increase in export of state industry.

Non-ruble export -- according to companies -- increases much more moderately than estimated. This is borne out by purchase order data from early this year. The opportunity to improve export at the end of February -- compared to previous surveys -- improved somewhat. Companies in the machine, chemical and light industries indicate an above average increase, yet considerably smaller than estimated. In planning their sales, companies do not give enough consideration to the fact that in order to boost production a substantially larger increase in ruble exports is needed.

Market Condition

Industrial enterprises are anticipating a slight improvement in their position on the non-ruble market. One third of the companies foresee a more favorable, and one-fifth a worse market condition. Processing plants anticipate a moderate improvement and metallurgical companies expect a slight deterioration. A favorable change is expected mostly by companies with a large share of export -- those handling a major portion of export.

The increase of the non-ruble export is hindered by the lack of sales opportunities according to two-thirds of the industrial enterprises, according to one-seventh by the supply, according to one-tenth by the labor situation. The three obstacles most frequently found in the opinions of companies are: market demand, profitability and unfavorable technical standards.

According to company opinions the importance of the various obstacles have changed in the past years. The market condition -- except in the case of the machine industry -- has somewhat improved, and the limiting effect of market demand is decreasing. The non-ruble import supply is more favorable. However, problems with the profitability and technical standard of products are growing. In spite of slightly growing demand companies with unchanged quality, technical standard and structure are generally able to increase their

export or maintain their level only at the expense of productivity. Companies in the machine industry report that for quality, profitability and other reasons the market demand for their products has noticeably decreased. With companies in the machine industry using great quanitities of specific material and parts it is the domestic market, with companies in precision engineering and telecommunications using modern spare parts -- for instance electronic parts -- it is mostly the non-rouble export that create growing problems.

Industrial enterprises -- chiefly in the machine industry, where about half of them have export license -- directly experience every day the value judgment of the world market on the technical standard and quality of their products, their sales policy and closely related price conditions. They are increasingly experiencing that the qualitative conditions for breaking into a market and indeed staying there have become more difficult and in order to remain competitive and able to maintain prices a constant renewal of all activities is necessary. Incidentally, companies are of the opinion that the establishment and usage of an interest base as well as the adjustment of salary regulations -- predominantly the measurements, particularly as a result of the termination of wage preferences -- do not sufficiently help to increase non-ruble export.

Companies anticipate an approximate 3-percent increase in sales prices. This increase is smaller than estimated, however, experiences show that companies usually grossly underestimate the extent of price changes. The development of manufacturing prices -- along with the inflationary pressure on consumer prices -- has an effect on the volume of production and effectiveness of management. In the event of a strong increase in net profit from prices the estimated interest base can be achieved through moderate expansion of production and export and without substantial reduction of specific costs. Thus the development of manufacturing prices is a sensitive part of fulfilling goals of the national economy.

In accordance with past years economists predicted for 1985 a half percent reduction in labor force that was smaller than the actual reduction, but growing somewhat by the end of February. Enterprises in the mining, electrical and chemical industries hope for a slight increase in the labor force. They further strive to widen the base of work hours by expanding the activities of the economic work cooperatives -- by about 10 percent. The motivating effect of the 10 percent enterprise added tax that also affects company business cooperatives cannot yet be detected in the opinions.

Labor force changes are slightly increasing within companies, and however moderately, excess labor force has started to shift to other companies. Four to five percent in 1984 -- one to two percent -- of companies report such reductions in the labor force.

Economists are counting on an approximately 6-percent increase in the average income. Above average increases are indicated by companies in the chemical and machine industries. Company efforts are increasing to raise the average wage above the average income as it denotes a more direct and powerful incentive. According to current experiences from current opinion polls, companies are prone to indicate a smaller than actual increase in income, and

this is expected to happen this year as well. The differentiation of economic units, as measured against the volume of increase in income, is not changing significantly compared to last year.

Investments

According to industrial enterprises non-ruble manufacturing import is expanding by about 10 percent. The pronounced intention to increase import is to certain degree linked to a decrease in import over the past years, resulting in depleted supplies. Both companies with large shares of ruble export and those with small ones are indicating an increase in import needs. Forecasts are not sufficiently considering wise import substitutions or tasks to fulfill the requirements for a balance.

According to economists a 1-percent increase in production goes along with an approximately 0.4-percent increase in energy consumption. Frequently, on the basis of common practice companies "automatically" assume extra need for energy along with the expansion of production and do not try to cut down on specific energy consumption.

Companies are counting on a 5-6-percent increase in production in current prices, which is somewhat higher than estimated. Above average increase is indicated by companies in the mining and chemical industries. Particularly strong is the desire for non-ruble machine import. Considering the financial security and capitalist import the investment prognosis of companies is not sufficiently well-founded. Compared to last year the situation of companies with a large share of non-ruble export is deteriorating, and developments necessary for the modernization of production structure -- particularly in companies in the machine industry -- have been postponed.

Regulation

Industrial enterprises forecast an approximately 10-percent profit increase. Based on the experiences of opinion polls of past years and the combined effect of new regulators it is probable that their profits are going to be higher. The modification of regulators is increasingly forcing a strong rise in productivity, and this, according to two-thirds of the companies, has a positive effect on the decrease in specific costs and improvement on financial management. In the companies' judgment their independence is growing and the scope of their activities broadening under the new circumstances. Two-thirds of companies expect their enterprising spirit to strengthen.

In the forecasts, however, it is necessary to consider that habits formed from practices of the past and insufficient results of requirements on productivity are temporarily exerting their influence. The changes related to the modernization of the management system and modification of regulators, and the place in the new environment have created many problems and difficulties. The reaction time of adjustment to the new conditions and circumstances depends predominantly on the capacity of companies, primarily on leadership style and managment system within the company. In addition, company behavior is influenced by the method of management, legal, company and market practices as well as the security of company management.

It is also clear from the opinions of companies that their business strategies often have to be shaped in consideration of counter-productive factors, complicated situations and requirements that are difficult to balance. Considerable problems are created by minimal development opportunities, deteriorating and ever more expensive cooperative ties, smaller specific import and export usage and by the need to increase non-ruble export and the productivity of management in the midst of deteriorating export profitability, and to differentiate incomes while maintaining reat wage tevels, etc.

Further development of regulators and other measures are forcing companies to re-evaluate their activities and increase their production. Demands seem too heavy only at places where production is based on the old, as opposed to the new situation. Companies are experiencing more and more forcefully that a quick adjustment to harder conditions has become inevitable, that a graduate boom in economic growth -- and along with it greater domestic consumption and faster increase in demand -- can only be based on keeping pace with the demands of the world market and simultaneous satisfaction of demands on productivity and balance.

12366
CSO: 2500/319

POLAND

METRONEX DIRECTOR DISCUSSES COMPUTER, INFORMATICS TRADE

Warsaw RYNKI ZAGRANICZNE in Polish No 35, 21 Mar 85 p 3

[An interview with Andrzej Ziaja, senior director of Metronex Foreign Trade Association, by Marian Bytniewski: "The Prospects of Informatics and the Computer Industry in Poland"; date and place not specified]

[Question] Mr. Director, Metronex is an agency whose main object of activity is export and import of products of informatics, automation and measurement equipment. The industry manufacturing these products is particularly susceptible to the crisis currently experienced by our economy and its consequences in the form of import limitations (foreign sanctions and shortage of hard currency). This must have had a negative effect on the manufacture of computer equipment both in quantitative and qualitative terms. Our data processing industry has been losing ground, as has been reported in the media, which is largely a consequence of the crisis in the equipment manufacturing realm. The situation was similar with automation in the past few years. Against this background, how do you explain the fact that Metronex during the crisis of the 1980's has succeeded in dynamically increasing its exports?

[Answer] You have mentioned several aspects of this issue. In a nutshell, this is exactly how it was. The Polish information industry has indeed sustained a crisis, but it had several causes. I believe that the most important was the limited capacity for applications and the lack of adjustment in the economy for broader application of data processing systems, as well as the shortage of software, and, finally, in the third place, the shortages of data processing equipment, including computers and peripheral devices. But the most negative effect was the poor application capability, the unpreparedness of potential users of data processing systems--the government administration and industrial management. This is indeed the crux of the matter.

As to the capabilities of equipment supplies, the situation is not tragic. Even at the worst point of the crisis in 1981-83, the output of data processing equipment in Poland was kept basically at the level of the 1970's. There was no breakdown. Why? When in late 1981 Western nations introduced the embargo on exports to Poland, we found means to maintain

our computer industry. This was not easy, but thanks to help from socialist countries, with supplies of materials, our industry in this difficult time survived and temporary shortages did not have any major influence on the computer hardware output. Applications were the main barrier that stood in the way of computerization.

[Question] Indeed, the results with exports obtained by Metronex in 1981-83 confirm this.

[Answer] Generally, in 1981, export was greater than in the previous year by 34 percent. In 1982, the corresponding increase was 20 percent, and in 1983 16 percent. Although the dynamics shows a downtrend, we must acknowledge that since these were the worst years of the crisis the results were quite good.

It should also be noted that even in the export to the Western nations a tendency of growth has been observed, with the sole exception of 1982, when it dropped by 10 percent compared with the previous year; but already in the next year it rose by 8 percent, and in 1984 by over 8 percent in constant prices.

[Question] Are you not afraid, however, that the tendency can soon change? The recent decisions of the government concerning the development of automation, computerization and robotization in the national economy may turn the majority of data processing and automation products to meet the domestic needs and thus limit exports?

[Answer] I do not see a conflict here. The program of introduction of electronics into the national economy, understanding electronics in the broad sense including informatics, automatics and electronic measurement equipment, is a comprehensive and complex program. This means that it implies a growth of demand for these kinds of equipment and therefore an increase in their production.

This program aims not only at stimulating applications but also, and primarily, at increasing the output of products.

As I have mentioned, the difficulty lies with the applications crisis and weakness of software. For that reason, the program of the introduction of electronics into the economy emphasizes a better training of potential users for utilizing the capabilities of informatics, automation and robotics. This will be followed by increased output of equipment. In this area, the June 1983 decree, no. 77, confirmed in the program of electronics development in 1984, was an important contribution which gave the top priority to the development of means of electronic production. One of its elements was the creation of a mechanism that ensured the investment capital for enterprises in this branch of industry. This mechanism operates so that a portion of depreciation write-offs is assigned to investment at the individual factories.

As a result of these decisions, between 1983 and 1984 there was a marked invigoration in the industry. New innovations have been introduced into production; projects are pursued to manufacture new products. Not all of them are ready yet for mass production, but prototypes have been prepared and samples of new products are being offered to foreign customers. That means that modernization is on the move and quality is being improved. This is not yet a revolutionary modernization in this industry, which would involve major expenditures, but the progress is so great that at least among socialist countries we are a technological leader. We have been rapidly regaining our position in relationship to our CEMA nation partners that we had temporarily lost.

Compared with Western nations, the situation is, of course, different. We are still far behind.

[Question] I am even afraid that, as time goes on, this gap is increasing.

[Answer] Not true. I cannot agree with that. I happen to be familiar with this industry from its very beginnings. When Polish informatics was just starting out, I was director of the Office of Mathematical Machines. In the early 1970's, when the Western world had made gigantic headway in computer technology, we had practically nothing. All we had was Odra and the Zama 41. Older computer engineers still remember those computers designed at the Institute of Mathematical Machines. Our computer fleet at that time was a disparate assemblage and there was no industry to speak of, and that was just 13 years ago. So starting practically from zero, we have achieved quite a lot and surmounted a large part of the so-called technological gap.

[Question] That is certainly true. But isn't it also true that from the early 1970's world progress in this area has accelerated. As a result of this latest upswing, computer equipment and its applications, which until then had concentrated at large organizations and institutions, became widespread on an unprecedented scale. One can say that computers have become a household item, and we have been fast falling behind.

[Answer] I agree with you. The distance between Poland and the West or the Soviet Union in the manufacture of computer equipment in the 1960's and the early 1970's, however, has been greatly reduced. This is definite. But later, in the early 1980's, we lost contact with the advanced group of world manufacturers of computer equipment, which have been moving ahead fast, and that is also true. Currently, however, there are attempts to catch up with this advanced group. Not with the leaders, but at least with the members of this group.

[Question] So far we have been talking about the general situation in our computer industry rather than the activities of Metronex as such. This is a basic aspect, because this general situation determines what Metronex will be able to offer its customers. Is it possible to discern

the improvements that you have mentioned (modernization of products and invigoration of investment) in the activities of your association? How can you evaluate, for instance, the results achieved by Metronex in 1984?

[Answer] Last year was quite favorable. Recently, on Feb 12, 1985, the Supervisory Council of Metronex held its current meeting. The council gave a positive assessment to our results. We have been one of the foreign trade organizations that managed to meet the annual plan target, and this affects all aspects of our activity and in particular exports to Western nations,with a growth dynamics of these exports at as high as 8 percent.

It should be stressed that talking about export growth, in 1980-84, it did not decline. Compared to 1980, this growth was over 10 percent, and this took place despite the unchanged nomenclature of products offered, because, as I have said, we are just beginning to catch up with the advanced brigade. Our products are "obsolete" in terms of trade and so maintaining a high level of sales growth is extremely difficult, sometimes impossible, as long as the products are not modernized. But this will happen. We have been concluding agreements with manufacturers to produce new modern products and have been financing this development in foreign currency. In a way, we operate as a bank to the industry. We keep one foreign currency account for the entire industry, and as a result we have at our disposal a concentrated pool of funds. We are using these funds primarily for modernization-oriented imports rather than cooperative supplies -- importing items that are of a crucial importance for this industry. The industry of information, equipment and automation has no prospects without modernization and without new technology. Our first priority is thus to innovate the manufacturing facilities, testers and measurement equipment.

[Question] These are extremely expensive amibitions.

[Answer] Indeed, but saving on this segment would be detrimental to the future.

[Question] Computer equipment is not the only product sold by Metronex. How can you evaluate the prospects for developing trade in other product lines within the scope of your organization?

[Answer] Our basic industries are: equipment of electronic computer technology, means of automation, measurement and control instruments, and nuclear equipment. In my estimate, our future prospects are moderately optimistic. Given the renovation of the nomenclature of products for export and the modernization of this industry that has already begun, I see the possibility for maintaining our position within the CEMA framework. We are rapidly catching up with the modernization level of products offered by our partners. We are still not in the lead, and we are aware of that, but at least we are not bringing up the rear.

As to the capitalist markets, we realize that we are still far behind for being competitive with the Western firms. In effect, it is impossible to maintain in the near future a growth of our exports to the Western markets. More likely, the sales to those markets will decline. This is an objective situation caused by an extremely rapid technological progress in the West and the difficulties with East-West trade in fields of modern technology.

Here I would like to emphasize the importance of export by Metronex to socialist nations. It accounts for about 4 percent of the entire Polish exports to those nations and among industrial exports our share exceeds 8 percent.

[Question] Admittedly, this is an astonishing number, and probably few people are aware of it.

[Answer] Our export planned target for 1985 is nearly 30 billion zlotys. It should be said that the public in general and even those in the field of exports do not fully realize the importance and value of the products of this industry. In value terms, it accounts for a large portion of the entire Polish export to CEMA nations, which is a natural consequence of the division of functions in this economic partnership. After all, this industry is of a great strategic importance.

We can therefore count on further important growth of exports to socialist countries. Accordingly, we are developing a network of our associations, representatives and a service network in our customer countries.

[Question] When talking about the activities of foreign trade organizations, we usually emphasize exports. Certainly, in the current situation this is the most important aspect. However, the old merchant saying is still, "Buy - sell - make profit." Today there is a great interest in our country in microcomputers and personal computers. Many people are enthusiastic about these products. Educators are gearing up to use them on a broad scale. In this context, as long as the domestic output of computer equipment has not matured to meet this growing demand, could not Metronex organize import of personal computers with software, in this way replacing the current random and chaotic individual import of these items and to an extent become a promoter of the applications of computer technology in many institutions?

[Answer] As regards the import of products of this industry from the West, we are confronted with a strict embargo. It has been further reinforced as part of the sanctions against Poland. Import by individuals is one thing, but a large-scale institutional import is another.

[Question] This is true, but after all, simple microcomputers are no longer subject to embargo. For instance, 8-bit machines.

[Answer] That is correct. But I happen to be against our association's engagement in this activity. I believe that the development of so-called

small-scale computerization in Poland--we can call it educational or student computerization (following the recent drive by POLITYKA under the slogan "Add Computer to Multiplication Table")--should be based on development of domestric industry. After all, Mera-Elzab at Zabrze has already started the output of Meritum microcomputers, offering it to schools and the Ministry of Education. Incidentally, the ministry has not yet adopted the decision to introduce computers in schools. I am aware of a case where schools that were offered computers free of charge for one year of operation have refused to take delivery. We see that large-scale broad introduction of information equipment is not a simple matter. So I believe that development of domestic production supported by imports will pave the way to spread of computers in society, rather than import by our association (not to mention that we don't have the means to accomplish that).

[Question] Mr. Director, the data cited during the course of this interview give grounds for optimism. Metronex is evidence that even in a generally difficult economic situation and under pressures of technological progress major successes with exports are possible in this industry.

This year is the 20th anniversary of your organization. The accomplishments achieved so far are certainly a source for justified pride for its staff. I wish you continued successful development of Metronex activities. Thank you for the interview.

9922
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POLAND

MINISTER DISCUSSES SUPPLY OF CHEMICALS FOR AGRICULTURE

Warsaw CHLOPSKA DROGA in Polish No 13, 31 Mar 85 p 3

[Interview Professor Edward Grzywa, minister of chemical and light industry, on the chemical industry, specifically its production for agriculture by Anna Turska: "Will Agriculture Be Able to Count on Chemistry"]

[Text] [Question] Has the chemical industry begun to outdistance the deveopment of other branches of industry as it should in a modern economy?

[Answer] This was the case up to 1975. In the five-year period from 1965 to 1970, chemistry exceeded the development of other branches of industry by 68 percent; during 1970-1975, by only 23 percent. Since 1976 there has been a significant slowing, and presently chemistry is developing at a rate 30 percent slower than the other industries. The drop in rate has been stopped, but in the future the chemical industry will not be given preferences in order to accelerate its development.

[Question] Fertilizers are always in short supply, and even if farmers get more of them every year, this rate of increase is too slow. Can we expect some improvement?

[Answer] The supplies of fertilizers in 1983 and 1984 were almost at the same level. For example, in 1983, the country-wide supplies of nitrogen fertilizers amounted to 1.279 million tons as a pure component; in 1984, this was 1.249 million tons, and for 1985, we plan 1.365 million tons. We should provide 193 kg NPK for each hectare.

[Question] Why was the production of nitrogen fertilizers lower in 1984 than in 1983? Was not the winter more severe?

[Answer] In 1984 there were serious transport problems, less gas was available. The users resigned themselves to less ammonium sulfate.

[Question] And what will the situation be this year?

[Answer] Even greater difficulties are anticipated, the severe winter aggravates them. By the end of February, we lost almost 100,000 tons in production of ammonia because of lack of gas. Today several factories are idle, including Police and Wloclawek, and only half of Pulawy is working. Produc-

tion in other factories is very limited. Gas is earmarked first for communal purposes; supplies cannot be limited there.

The present deficit in production cannot be made up. The chemical factory works three shifts, on Saturdays and Sundays, so that even when all the raw materials are available, the chemical reactions and complicated technological processes cannot be accelerated.

[Question] Farmers are interested not only in quantity, but also in the assortment of fertilizers. They would willingly buy granulated, concentrated, or multicomponent fertilizers...

[Answer] I must admit regretfully that the variety of fertilizers available will not change in the near future, not until we implement the program of modernization and reconstruction of production plants. In the past year, 20 percent of the nitrogen fertilizers was provided in the form of urea, 53 percent, in the form of ammonium nitrate, and approximately 13 percent in a combination of ammonium nitrate and calcium carbonate. Meanwhile, among phorphorus fertilizers, superphosphate powder, which is least preferred by the farmers, continues to make up 29 percent of the total.

[Question] But it was supposed to have been discontinued...

[Answer] It cannot be discontinued, we cannot afford to spend several billion zlotys to granulate it. All the more so since granulation requires energy.

A certain change in types of fertilizers will occur in connection with the construction of Police II. We expect this complex to be put into full operation by 1987. Meanwhile, in the second half of this year, the installation will begin to produce urea so that this fertilizer, which is in demand, will be in greater supply this year.

The farmers are particularly reluctant to buy some fertilizers such as ammonium sulfate and powdered superphosphate. Porposals have been made to mix these two fertilizers to obtain a better, less powdery structure. But large investments are necessary for this and more transport would be required.

[Question] Do cultivated plants increasingly feel the lack of microelements in the soil? The fertilizer industry provides the plants with a supplemental feeding of basic components. Will fertilizers with microelements also be produced?

[Answer] We are producing fertilizers with microelements for horticulture. There is a sufficient supply of these, sometimes there are even problems with surpluses.

We are also producing agricultural fertilizers enriched with microelements. We produce ternary superphosphate, borated with approximately 0.5 percent boron. This year there will be 80,000 tons of this fertilizer. In the

future we intend to start production of polyphosphate with an 0.25 percent content of copper and ternary superphosphate containing 1 percent copper. We are also considering adding copper to urea. We must, however, consider whether adding copper, which is expensive, to such a mass of fertilizers will be cost effective, whether the increase in yield will compensate for the expense, and whether this is needed everywhere.

[Question] What has changed in the last two years in the production of pesticides?

[Answer] During the last two years investment was so strictly limited that in spite of the great weight we attach to it, reconstruction of this branch of the industry was slowed down. At present we are concentrating on preparing to build two installations, one for pyrazon in the Rokita plant and bromphenwinphos in the Azota plant.

Lastly, we have given special attention to expanding the variety and putting pesticides into small packages.

Present supplies from our industry and imports meet the amounts required. This year, we anticipate providing 31,000 tons of these preparations. In order to expand the variety, we plan to begin to make up pesticides from imported concentrates: fungicides, Bayleton 25 WP, Bayleton 5WP, Rowral, Mankuprox, Ridomil plus 45 WP, Siarkol N and Saprol; insecticides, Decis and Ripcord; and weedkillers, Betanal AM 11, Dosanex, Dosamix, Fusilade, Roundap and Pielisam.

At present the greatest problem of all producers in this branch is the relatively low allotment of money in the first quarter for the purchase of concentrates and raw materials. The requirements amount to $17.5 million and $10.5 million has been allotted. This may result in a decrease in production exactly at a time when the needs of agriculture are most urgent.

[Question] What is the situation with fungicides for protecting grains?

[Answer] On the initiative of Minister Zieba, we joined in the program of new technology of grain production with complete chemical protection. What is mainly involved here are fungicides for spraying before the plants produce leaves.

Carbendazym, produced in our country, can be used for the first spraying; imported materials must be used for the second spraying. Therefore, we must buy concentrates. But this is very effective protection that results in significant increases in grain yields. I believe that we must provide agriculture with these materials.

[Question] Instead of buying grain for dollars it is better to spend money on fungicides...

[Answer] Then we will be spending much less.

[Question] Do the prices of fertilizers and plant protection materials ensure cost effectiveness of their production and will these prices be changed in the immediate future?

[Answer] Since 15 February, 1982, the prices of fertilizers and plant protection materials produced in our country have remained unchanged. Meanwhile during this time there has been a significant increase in production and distribution costs. Consequently, government allowances for this production must increase every year in order for prices to remain unchanged. In 1982, allowances for fertilizers amounted to 15 billion; in 1983, 20 billion; in 1984, 27 billion; and this year, we anticipate 33 billion. In 1985 we expect a further increase in costs of production.

I believe that we must stop the growing discrepancy between prices and costs of production of fertilizers and plant protection materials. We must no longer increase allowances. We must, therefore, raise prices at least enough to cover the increase in production costs. We have reached such discrepancies that the cost of production of many fertilizers is three times higher than the selling price.

As far as our ministry is concerned, for the present, we are proposing changes in the internal structure of fertilizer prices: decreasing the prices of less popular fertilizers, those that are more difficult to use, and increasing the prices of concentrated fertilizers, those most in demand, in such a way that this would be included in the same general sum.

This year official prices will be in force for the basic plant protection materials, and other pesticides will be sold for contract prices.

[Question] The tire industry can produce 8 million tires. In 1982 it produced slightly more than 5 million. Is it producing more now?

[Answer] In 1982, 5.3 million tires were produced; in 1983, 6.7 million; in 1984, 7.7 million; this year, we are planning on 7.97 million, or almost 8 million.

During the past year, we provided agriculture with 448,000 truck tires, 1,158,000 tractor tires, and 797,000 tires for farm machinery. We should have an adequate supply of tractor tires this year. There will also be more truck and farm machinery tires. This should be clearly felt.

[Question] How far advanced is the program of retreading three million tires annually?

[Answer] There is no formal plan for retreading three million tires; this was a figure I advanced. An optimal, realistic aim is to retread 30 percent as many tires as are produced. Thus, with an annual production of 8 million, this optimum would be 2.4 million. It seems to me that we have gone more than half way toward realizing this goal. During the past year, approxi-

mately 1.5 million tires of various kinds were retreaded. This year, we expect the number to be 1.7 million.

The chemical industry provides retreading mixtures and rubber belts and manages the retreading fund created by the Office of Materials Management. We control the variety and location of stores in the country in such a way as to minimize freighting.

We expect to attain 2.4-2.5 million retreads in 1988. Even now, however, we are having difficulties buying tires for retreading. This pertains also to farm machinery tires, especially rear tires for tractors. Often the capacities of retreading facilities are not exploited, as for instance in the state agricultural machine stations in Kleszczele, Stomile and Bisztynek. The situation is similar with respect to farm trailers. Those who use the tires simply do not care to remove them while they are still fit to be retreaded. They use them until the tread is completely gone.

The retread program is undoubtedly a success. Every year we retread 250,000-300,000 more tires. This is as if each year we built a new factory with an annual production of 200,000 tires. Moreover, less raw material is used in retreading than in producing a new tire, only enough for the tread. No cord or steel wire, which are imported, is used. Also significantly less rubber and carbon black is used. This is our great achievement.

[Interviewer] Thank you.

2950
CSO: 2600/756

ROMANIA

ACHIEVEMENTS IN IMPROVED HOUSING HAILED

Bucharest REVISTA ECONOMICA in Romanian No 10, 8 Mar 85 pp 2-3

[Text] The constant preoccupation of the leadership of our state and party with housing construction and the continuous improvement in the quality of life of working people in the cities and towns is directly reflected in the years that have passed since the last election of deputies for the Grand National Assembly of the Socialist Republic of Romania. The 5 years between the two legislatures (81-84)[sic] also left a particularly important mark on the development of communities in our country in the construction of apartments, socio-cultural and commercial facilities and public buildings.

Based on the profound scientific and strategic revolutionary concept of comrade Nicolae Ceausescu, president of the Socialist Republic of Romania, the entire activity of apartment construction has developed on the strength of systematic city, town and village plans, resulting in their rational and equitable development, in the intensive use of land reserves, the principal component of national property, in an increase in the municipal-agricultural and urban level of the communities, and in raising the level of civilization and the well-being of all working people. In that period, in the cities and towns, there were 745,000 apartments from state or private reserves put into use, with the support of the state in loans and construction, as well as 53,300 apartments not financed by the state (see table). At the end of 1984 the population of the country had at its disposal a total residence reserve of 7,545,000 apartments with habitable living space of more than 230 million square meters, assuring a superior level of satisfaction of the people's wishes. Compared with 1980 the country's residence reserve grew by 11 percent (chart).

Apartments Put Into Use From State Reserves

Years	Total	Municipalities and Cities	Suburbs	Villages
1966-1970	333,177	322,461	2,992	7,724
1971-1975	512,507	500,143	1,679	10,685
1976-1980	755,343	730,929	3,652	20,762
1981-1983	436,004	414,400	5,433	16,171

The new apartment construction in this period has assured, for all communities of the country, and especially in the municipalities and cities, better use of those areas of the communities suitable for construction. In the new quarters and housing developments, apartment construction density is more than 7,000 square meters of living space per hectare, under conditions assuring space for facilities and other functions needed by the people. The new apartment construction carried out in the municipalities and cities generally consists of a ground floor and four upper stories, the large majority of apartment blocks--more than 85 percent--having five levels, thus assuring not only the judicious use of land but also economies in some important construction materials: reinforced concrete, cement, lumber, bitumen, etc.

In implementing the apartment construction the people's councils of the districts, municipalities, cities and towns acted to concentrate their activities and resources in close-knit bodies, leading to better organization of construction-design work, rational and efficient management of materials, prefabricated parts and tools and the efficient use of the work force. In this period, with respect to solutions for municipal and town planning, apartment and facilities construction was realized in 90 central zones and 300 residential quarters, comprising markets, traffic arteries, and urban assemblages (green space, children's playgrounds, recreational areas, etc.), which have contributed to raising the municipal administrative level and the level of civilization of our country's cities.

Particular implementations of this stage are to be found in the municipalities of Alexandria, Bacau, Bistrita, Craiova, Deva, Focsani, Ploiesti, St. Gheorghe, Satu Mare, Rimnicu Vilcea, Zalau as well as in the new quarters of the municipalities of Cluj, Constanta, Iasi, Oradea, Piatra Neamt, Suceava or of the cities of Dragasani, Adjud, Zimnicea, Tg. Neamt and others. In this period, at the direction of comrade Nicolae Ceausescu, nationally important work began in the municipality of Bucharest to erect a new civic center for the capital, a foundation of particular importance for the most fertile epoch in the multilateral development of our country.

Characteristic of apartment construction during these last few years has been the continuous improvement in the architectural solutions and the functionality of the apartments. The average floor space of the apartments built in 1984 grew by 8 percent compared to 1980. Thus living room, kitchen and bathroom space were increased. In 1984, by decree of the Council of State, an 18 percent increase in floor space was approved, which will assure superior living conditions for the new families who move into these apartments.

In the process of implementing the apartments, the construction-design units of the people's councils, which are the principal builders of the apartments, adopted technical measures to perfect the processes and technologies of implementation so as to raise the quality of the construction, finishing and installation work. On the basis of tasking by the upper leadership of the party, large pre-finished sections were intensively produced in factories and workshops to transform the construction sites into design and assembly points, thus realizing important economies in equipment and hand labor, under conditions of factory finishing that assure better work quality. For example

measures were taken to perfect the thermal insulation of apartment construction by increasing and improving the thermal insulation of exterior walls by 60 percent. This results in greater comfort in the apartments as well as important economies in residential fuel.

Together with new residential construction, the municipalities and cities also experienced a significant increase in service facilities. New construction increased the number of hospital beds in 1984 to a rate of 9.4 beds per 1,000 residents. Likewise 9,500,000 square meters of commercial and service space were constructed on the ground floor of apartment buildings along with new shops, food markets, schools, kindergartens, creches, cultural centers, hotels and public eating places, which contributed to the modernization of the communities and an increase in the level of service to the people; at the end of 1984 the number of residents in kindergartens was more than 377,000, those quartered in hotels and tourist units, more than 295,000 while the number of classrooms was around 26,000.

The municipal services in the cities have also undergone innovations and improvements. The water supply has grown by more than 4000 km and the sewer system by more than 2700 km, assuring the very best conditions for the population. The provision of green space has also made significant strides, with the total green space now more than 18,000 hectares, or about 16 m^2 per inhabitant. The Bucharest subway represents a remarkable achievement over these years, a technical accomplishment of particular importance with new ingenious solutions that testify to Romanian technical capacity. At present the subway line assures transportation connections for the workers of the Bucharest heavy industrial zones: "Republica", "23 August", "Semanatoarea", "Militari" and for the people of the residential quarters Titan, Sulea, Armata Poporului, with the central area of the city and other points of interest in the capital. Work continues on a trunk line to connect to line 2, from the Bucharest Heavy Machine Enterprise toward the center of the city as well as toward the Northern Station.

The progress made in the construction of residences in our country as well as in community facilities in the residential quarters and in municipal equipment have directly contributed to the improvement of the standard of living for all the inhabitants of our country. It is significant that in the period 1965-1984, more than 2,800,000 apartments were constructed with state and private capital and that more than 9 million inhabitants--40 percent of the total population of the country--live in buildings constructed during this stage.

In the 5 year period 1986-1990, according to documents approved by the XIIIth congress of the Romanian Communist Party, apartment construction will continue unabated. In those years another 750,000 new apartments will be constructed throughout our country's communities, which will complete the current endowment of the existing residence fund. New apartment construction will be carried out on the basis of projects with functionality and plastic architectural improvements, with increased usable floor space and superior thermal insulation. They will continue to be situated in the central zones already begun or in other residential quarters, resulting in their completion and in the raising of the urban-architectural level of the cities.

Special attention will be accorded the process of industrializing the apartments, perfecting the technologies of execution, finishing materials, facilities and interior installations, so as to realize improvements in the quality of construction and finishing work. To this end an important role will be played by the complete finishing of large sections in factories and workshops, with the work carried out under careful control with regard to the technical norms and requirements. This should lead to increased work productivity at the construction sites and to better management of and economies in construction materials. With this in mind, all of the construction enterprise units have drawn up special programs for more accelerated increase in work productivity, with the result that by the end of the next 5-year period labor productivity at the construction sites should double. Special measures were established for the unswerving realization of construction work in complete harmony by all enterprise units and construction brigades, for greater collaboration by construction personnel to meet deadlines and for improvement in the quality of work together with better management of materials and equipment. At this stage the construction units will work to extend the scope of small mechanization jobs, particularly in finishing touches, with the aim of increasing work productivity.

In accordance with the approved urban planning programs as well as with the specifics for each locality, the height of residential buildings will also be set, the emphasis being placed on buildings with a ground floor and 3-4 upper stories. It is foreseen that these will constitute about 85-90 percent of the total. According to documents approved by the XIIIth congress of the Romanian Communist Party, the next 5-year period will see, in addition to new apartment construction, important programs of technical-municipal projects and socio-cultural facilities. A continuous expansion is foreseen of the water supply, the sewage system and the district heating network along with modernization of streets, the creation of new green space, children's playgrounds and recreational areas, resulting in an assurance of a much improved standard of living for the communities' residents. Through the contribution of the people's work and money, green space, squares and rest areas will be extended in all residential quarters. On the basis of the real necessities of each city and quarter, the following stage will see the implementation of necessary socio-cultural, educational, supply and commercial facilities.

Based on the thinking and strategy of the Romanian Communist Party, new apartment and facilities construction and technical-municipal public projects for the next 5-year period will contribute even more to the modern build-up of our country's cities and towns, to the increased standard of living of all our country's inhabitants.

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YUGOSLAVIA

DRAFT LAW ON FOREIGN EXCHANGE SYSTEM

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 April 85 (supplement) pp 3-10

[Text] I. Basic Provisions

Article 1

Collection and payment in foreign exchange and dinars in foreign business transactions and other foreign exchange transactions shall conform to the provisions of this law.

For the purpose of this law "foreign exchange" means claims abroad on whatever basis denominated in a foreign currency, which includes both the accounting currency and also all types of effective foreign money except minted gold money.

Article 2

The foreign exchange which organizations of associated labor realize in business transactions abroad with foreign countries and in other foreign-exchange transactions are the result of the labor of the workers in those organizations and of social labor as a whole.

Relations in foreign-exchange transactions are an integral part of relations in social reproduction based on the self-management of the workers in associated labor employing the resources of society.

In the domain of foreign-exchange transactions with foreign countries the workers in organizations of associated labor shall have basically the same socioeconomic position as workers in other domains of social reproduction.

Article 3

The use and disposition of foreign exchange shall conform to the needs of social reproduction, the needs of augmenting exports, the individual needs of organizations of associated labor and other self-managing organizations and communities, and to the needs of society generally.

Article 4

Once dinar convertibility and stable equilibrium in Yugoslavia's balance of payments are established, organizations of associated labor and other social juridical persons may keep the foreign exchange which they have realized in a foreign-exchange account with an authorized bank and may use it in conformity with federal law.

Article 5

Foreign exchange shall be used solely for payments abroad, in conformity with the provisions of this law.

International payments shall be conducted through authorized banks unless this law provides otherwise.

An authorized bank may make a payment abroad when an organization of associated labor or other social juridical person pays the corresponding amount of the dinar equivalent into that bank.

Article 6

Workers in organizations of associated labor shall regulate rights, obligations and responsibilities in the disposition and use of foreign exchange for the purpose of making payments abroad through their delegates in the bodies of self-management, in economic chambers, in banks, in the SFRY Assembly and in the assemblies of the socialist republics and the socialist autonomous provinces.

Article 7

Workers shall plan foreign economic relations in the framework of the development plans of organizations of associated labor, other self-managing organizations and communities, and the plans of sociopolitical communities.

Foreign economic relations shall be planned in order to secure the conditions and prerequisites for economically more successful inclusion of associated labor in the international division of labor and to advance foreign economic relations, to strengthen the orientation of organizations of associated labor and the economy as a whole towards exporting and towards establishing more long-term economic ties among organizations of associated labor, as well as to create the conditions for meeting obligations abroad.

Article 8

Organizations of associated labor and other self-managing organizations and communities, the republics and autonomous provinces, and the Federation, each within the limits of its respective rights and duties, shall be responsible for the country's position in international economic relations, for optimum inclusion in the international division of labor and for the status of Yugoslavia's balance of payments.

Article 9

The projection of Yugoslavia's balance of payments, which shall be adopted in conformity with the Resolution on Implementing the Medium-Term Social Plan of Yugoslavia, shall set forth policy and reconcile the proportions of exports and imports of goods and services and the financial transactions between domestic and foreign persons.

Article 10

Foreign exchange shall be purchased and sold within the country on the unified foreign exchange market.

The unified foreign exchange market shall be an organized system encompassing all purchases and sale of foreign exchange taking place in conformity with this law on the territory of the Socialist Federal Republic of Yugoslavia.

Article 11

The National Bank of Yugoslavia, the national banks of the republics and the national banks of the autonomous provinces, each within the limits of its respective rights and duties, shall be responsible for the overall liquidity of foreign payments.

The authorized bank shall be responsible for their own liquidity in foreign payments, within the limits of the rights and duties envisaged by federal law.

Article 12

Payments to foreign countries for imports of goods and services shall be made in conformity with this law.

Payment for goods and services whose importation is regulated shall be made on the basis of the established right to import such goods and services.

Organizations of associated labor, authorized banks and other social juridical persons may incur obligations to foreign countries only within the limits of the rights to make payments and rights to incur indebtedness as set forth in law.

Article 13

Exports of goods and services shall be stimulated by the exchange rate of the dinar, by development policy, by the system and mechanism of tax, customs and other refunds, by credit-and-monetary policy and by other measures of economic policy.

Article 14

Individuals who are Yugoslav nationals and civil juridical persons may keep foreign exchange in a foreign-exchange account or foreign-exchange savings account with an authorized bank and may use foreign exchange for payments abroad in conformity with the provisions of this law.

Foreign physical persons may keep foreign exchange in a foreign-exchange account or foreign-exchange savings account with authorized banks.

The Federation shall guarantee the foreign exchange in foreign-exchange accounts and foreign-exchange savings accounts.

Article 15

The purchase, sale, presentation as a gift, lending and borrowing, and presentation for safekeeping of foreign exchange shall be prohibited between domestic persons and between domestic persons and foreign persons in Yugoslavia unless this law provides otherwise.

Article 16

Payment and collection in foreign exchange or gold shall be prohibited between domestic persons and between domestic persons and foreign persons on the territory of the Socialist Federal Republic of Yugoslavia, and it shall also be prohibited to conclude transactions whereby the dinar value of the obligation stipulated is calculated on the basis of the price of gold or the exchange rate of the dinar against foreign currencies unless this law or other federal law provides otherwise.

Any legal transaction which violates the prohibition stated in Paragraph 1 of this article shall be null and void.

Article 17

For the purpose of this law "domestic person" means basic and other organizations of associated labor, business communities, banks, cooperatives, economic chambers and other general associations, self-managing communities of interest and other self-managing organizations and communities, sociopolitical communities and their bodies, agencies and organizations, sociopolitical organizations and other public organizations, and other juridical persons domiciled in Yugoslavia and physical persons residing in Yugoslavia.

For the purpose of this law "foreign person" means all other juridical and physical persons.

Article 18

For the purpose of this law "authorized bank" means a bank which has authority to conduct international payments and foreign credit transactions (hereinafter "fully authorized bank") and a bank which has authority to conduct transac-

tions with foreign exchange and foreign currencies within Yugoslavia (hereinafter "limited authorized bank").

Article 19

The Federal Directorate for Sales and Reserves of Special-Purpose Products shall in foreign-exchange transactions have the same rights and obligations which organizations of associated labor have under this law, unless federal law provides otherwise.

Article 20

Foreign-exchange and foreign-trade transactions and foreign credit relations shall be subject to foreign-exchange supervision.

II. Yugoslavia's Balance of Payments

Article 21

Yugoslavia's balance of payments shall encompass the financial and other economic transactions between domestic and foreign persons, but especially: the value of and collection for exports of goods and services and other invisible inflow; the value of and payment for imports of goods and services and other invisible outflow; international financial transactions; the respective balance of current and of financial transactions with foreign countries, as well as changes in foreign-exchange reserves.

Article 22

The Federal Executive Council shall prescribe the methodology for ascertaining and monitoring achievement of Yugoslavia's balance of payments.

Achievement of Yugoslavia's balance of payments shall be monitored monthly by the National Bank of Yugoslavia.

The Federal Executive Council shall file a report with the SFRY Assembly on achievement of Yugoslavia's balance of payments.

Article 23

The projection of Yugoslavia's balance of payments shall be adopted for each year and shall be based on the social plan of Yugoslavia.

The projection of Yugoslavia's balance of payments shall be enacted by the SFRY Assembly upon the proposal of the Federal Executive Council simultaneously with the resolution on implementation of the medium-term social plan of Yugoslavia, in which the joint foreign exchange policy shall also be set forth.

Article 24

If the proportions in Yugoslavia's balance of payments are not achieved in conformity with the projection of Yugoslavia's balance of payments, the Federal Executive Council shall take steps to promote exports, but it may also prescribe the following measures if necessary:

1) restriction of payments for goods and services as well as other current international payments or the reduction of individual rights to import and rights to make payments;

2) mandatory depositing of the equivalent dinar value in advance when notification of a foreign trade transaction is made;

3) mandatory posting of dinar deposits in the value of goods and services being imported;

4) introduction of special fees on payments abroad;

5) restrictive measures concerning other current transactions.

The Federal Executive Council shall take the measures stated in Paragraph 1 of this article selectively, mindful of the need to promote exports.

Should sizable deviations occur in achieving the proportions in Yugoslavia's balance of payments, in addition to the measures stated in Paragraph 1 of this article the Federal Executive Council may prescribe mandatory certification of orders for current payments abroad by the National Bank of Yugoslavia and an order of priority in making international payment.

III. The Exchange Market and the Exchange Rate of the Dinar

Article 25

For the purpose of this law the "unified exchange market" shall be made up of all the transactions of purchase and sale of foreign exchange taking place between authorized banks and organizations of associated labor, between authorized banks, and at the Interbank Meeting of the Exchange Market, in which the National Bank of Yugoslavia shall also participate.

The Federal Executive Council shall prescribe the operating procedure of the unified exchange market on the recommendation of the National Bank of Yugoslavia.

Article 26

The Interbank Meeting of the unified exchange market shall constitute a separate part of the unified exchange market, and shall be a regular, organized meeting fixed in advance of representatives of fully authorized banks and the National Bank of Yugoslavia.

Article 27

The dinar's exchange rate shall be formed on the unified exchange market according to the supply of and demand for foreign exchange and the country's economic policy.

The rate of exchange referred to in Paragraph 1 of this article, in conformity with the country's economic policy, shall also be used to set the exchange rate for the accounting currency used in trade with countries with which a treaty has been concluded on payment in an accounting currency.

Article 28

There may be spot and forward purchases and sales of foreign exchange on the unified exchange market.

Spot purchase and sale of foreign exchange is understood to be the purchase and sale of foreign exchange in which the transfer of foreign exchange to the account of the buyer's authorized bank and the transfer of dinars to the account of the seller of the foreign exchange is done immediately according to the contract, but no later than two days from the date of signing the sales agreement concerning the foreign exchange.

Forward purchase and sale of foreign exchange is understood to mean purchases and sales of foreign exchange which are to be executed after a term between 30 days and one year and which are executed within the period stipulated in the contract.

The forward purchase and sale of foreign exchange shall take place at the rates of exchange which the parties to the contract agree on up to the limits of the rates of exchange set by the Federal Executive Council.

Article 29

The National Bank of Yugoslavia shall designate those types of foreign exchange which shall be the subject of purchase and sale on the unified exchange market.

Should major disturbances occur in intercurrency relations with foreign exchange markets, the National Bank of Yugoslavia may temporarily restrict or prohibit the purchase and sale of certain currencies or all foreign currencies on the unified exchange market.

Article 30

The National Bank of Yugoslavia shall purchase and sell foreign exchange at the Interbank Meeting of the unified exchange market in order to maintain overall liquidity of payments abroad, to achieve the unified rate of exchange of the dinar, to influence its level, and to secure the country's foreign-exchange reserves.

Article 31

The National Bank of Yugoslavia shall designate those types of foreign exchange with which it shall intervene on the unified exchange market.

Article 32

Fully authorized banks may purchase and sell foreign exchange on foreign exchange markets under the conditions defined by the National Bank of Yugoslavia.

Article 33

The average exchange rates of foreign currencies shall be ascertained on the basis of the rates of exchange at which the transactions of the purchase and sale of foreign exchange at the Interbank Meeting of the unified exchange market are concluded.

Buying and selling exchange rates shall be formed on the basis of the average rates of exchange of foreign currencies by adding or subtracting the margin set forth in the regulation on the operating procedure of the unified exchange market.

The buying rates referred to in Paragraph 2 of this article shall be applied in calculating the equivalent dinar value of collection made in foreign currencies for the purpose of the payment of dinars to an organization of associated labor or other social juridical person. The buying rate in effect as of the accounting date shall be applied in the computation.

The selling rates referred to in Paragraph 2 of this article shall be applied in computing the equivalent dinar value for payment in foreign exchange which is being made by order of an organization of associated labor or other social juridical person.

The selling rate in effect on the day when the payment is made abroad shall apply in the computation.

Organizations of associated labor and other social juridical persons shall as a rule ascertain the receivables and payables denominated in foreign currencies at the end of every month, but no later than at the end of every quarter, and they shall indicate them in income statements and statements of condition in dinars, according to the average exchange rate in effect on the last day of the month.

Article 34

Exchange rates of foreign currencies established at the Interbank Meeting of the unified exchange market shall be applied in determining the base for computation of customs duties and other import charges and for computation of tax deductions related to exports, and also for the purposes of statistics.

Article 35

Fully authorized banks which keep foreign exchange in accounts abroad are required to offer foreign exchange in amounts over and above payment obligations which have come due for sale at the Interbank Meeting of the unified exchange market.

In order to enforce the obligations referred to in Paragraph 1 of this article the National Bank of Yugoslavia may prescribe that fully authorized banks shall ascertain and submit at the Interbank Meeting of the unified exchange market a statement of their exchange position encompassing available foreign exchange abroad and payments abroad which have come due.

IV. International Payments

Article 36

International payments shall take place in foreign currencies and dinars.

Settlements with countries with which a payments treaty or other international agreement has been concluded on payment in convertible currencies shall be made in dinars, the agreed convertible currencies or other convertible currencies.

Settlement with countries with which an international treaty has been concluded concerning a bilateral method of payment shall be made in the accounting currency envisaged by that treaty.

Settlement with countries with which an international treaty has not established the method of payment shall be made in dinars and convertible currencies.

The National Bank of Yugoslavia shall prescribe the manner in which international payment shall be conducted.

The National Bank of Yugoslavia shall issue an instruction so that international payments are conducted uniformly.

Article 37

The Federal Executive Council shall define the conditions under which the National Bank of Yugoslavia may approve a different method of international settlement than the manner envisaged by the treaty referred to in Article 36 of the Law, unless that treaty has precluded that method of payment.

The national bank of the republic or national bank of the autonomous province may permit an organization of associated labor to make payment or collection in effective foreign currency under the conditions defined by the National Bank of Yugoslavia.

The national bank of the republic or national bank of the autonomous province

may permit an organization of associated labor to make collection for a portion of exports of goods and services in a currency which may not be transferred according to an enactment of the country in question, under the conditions defined by the National Bank of Yugoslavia.

Article 38

On recommendation of the National Bank of Yugoslavia the Federal Executive Council shall define the conditions under which the national bank of the republic or national bank of the autonomous province may permit an organization of associated labor to offset receivables and payables with foreign countries. The date that permission is granted shall be taken as the date of collection.

The payment of dinars to an exporter and the collection of dinars from an importer whose mutual payables and receivables have been offset shall be made through the exporter's bank.

Article 39

International payment shall be conducted through a fully authorized bank unless this law provides otherwise.

The fully authorized bank shall conduct payments traffic with countries with which an agreement has been concluded on the bilateral method of payment through the clearing account of the National Bank of Yugoslavia.

A domestic person shall select the fully authorized bank through which it shall conduct its international payments.

Article 40

The National Bank of Yugoslavia shall conduct international payments to meet the needs of the Federation and its bodies, agencies and organizations.

The National Bank of Yugoslavia shall also conduct international payments for the transactions which the federal agency competent for sales and reserves or special-purpose products conducts on the account of organizations of associated labor which are manufacturers of special-purpose products.

The manner in which the international payments referred to in Paragraph 2 of this article shall be made shall be prescribed by the Federal Executive Council on the recommendation of the National Bank of Yugoslavia.

Article 41

Domestic persons are required to collect for goods exported and services rendered to foreign persons within the contracted period, which may not be longer than 60 days from the date when the goods were exported or when the service was rendered.

As an exception to the provision of Paragraph 1 of this article, the Federal Secretariat for Foreign Trade may permit collection for goods exported and services rendered over a longer period of time depending on the regions to which the goods are exported or service rendered, the terms and conditions of the sale and the opportunities for selling the particular goods or for rendering the particular services.

The Federal Secretariat for Foreign Trade shall submit quarterly reports to the Federal Executive Council on the acts of consent which have been issued under Paragraph 2 of this article.

The date when goods clear customs shall be taken as the date of a commodity's exportation.

The Federal Secretariat for Foreign Trade shall prescribe which day shall be taken as the date of rendering services in the context of the provisions of this law and the provisions of Article 44 of this law.

Domestic persons are required to collect receivables based on the export of goods and services on credit within the period of time envisaged in the credit contract.

Domestic persons are required to collect receivables on other bases within the stipulated period, which may not be longer than 60 days from the date when the receivable came due.

Individuals working abroad temporarily and individuals working in diplomatic and consular missions abroad are required to bring into the country foreign exchange which they possess abroad within 60 days from the date of return to the country.

Article 42

If collection in foreign exchange abroad is not made within the periods of time stated in Article 41 of this law, payment of the equivalent dinar value shall be made at the daily exchange rate in effect on the 60th date from the date of exportation, if that exchange rate is lower than the rate which was in effect as of the date when collection was made.

Article 43

The following shall be taken as the date of collection in the context of Article 41, Paragraphs 1, 5 and 6:

1) the day when the fully authorized bank processed the collection made for payment to the beneficiary;

2) the day when the fully authorized bank processed the export documents for payment of the beneficiary if importation is being made by one organization of associated labor and exportation by another organization of associated labor;

3) the date when the goods being imported cleared customs if a single organization of associated labor is conducting both the export and the import.

Article 44

If an organization of associated labor has been permitted to keep foreign exchange abroad, the day when the amount of foreign exchange was released to the account of the organization of associated labor abroad shall be taken as the date of collection.

Article 45

Payment for importation of goods and services shall be made in advance or before the goods are imported or services are rendered, pursuant to the regulation referred to in Article 36, Paragraph 5, of this law.

Domestic persons are required to import goods paid for in the context of Paragraph 1 of this article or to realize a service which has been paid for no later than within 60 days from the date when the fully authorized bank executed the payment order.

The day when goods have cleared customs shall be taken as the date of importation.

The date on which a fully authorized bank has issued the order to a foreign bank to make payment to a foreign person or when it issued the notice of payment made from a letter of credit shall be taken as the date of execution of a payment order.

Article 46

Organizations of associated labor and other social juridical persons are required to keep records on every export-import transaction and foreign credit transaction concluded, on the execution of those transactions, as well as on payments and collections made in connection with those transactions.

The federal secretary for finance shall prescribe the manner in which the records referred to in Paragraph 1 of this article shall be kept.

Article 47

The national bank of the republic or national bank of the autonomous province may, when foreign business transactions so require, permit an organization of associated labor or other social juridical person to keep foreign exchange necessary for that business operation in accounts abroad, under the conditions defined by the National Bank of Yugoslavia.

The National Bank of Yugoslavia may allow federal bodies, agencies and organizations to keep foreign exchange abroad.

Organizations of associated labor which have collected for work done on

capital investment projects abroad in foreign currencies may keep foreign exchange in accounts abroad under the conditions stated in Paragraph 1 of this article.

Article 48

Organizations of associated labor rendering services in international freight and passenger transportation and insurance communities and reinsurance communities may contract for the payment and collection for services to be made through an open account established with a foreign partner.

Deaths or the balance of receivables in the open account during and at the end of the calendar year may amount to as much as twenty percent of the amount of the value of billed services in the previous year.

If the contract referred to in Paragraph 1 of this article should cease to be valid, the payable or receivable balance must be settled within 30 days from the date the contract terminated by the rendering of services or by payment or collection.

Organizations of associated labor which render transportation services in rail and air transportation and organizations of associated labor which render postal, telegraph and telephone services on the basis of international conventions and contracts which have been ratified shall, pay and collect for services through an open account pursuant to those conventions or contracts.

Article 49

The domestic persons referred to in Articles 47 and 48 of this law are required to file reports with the national bank of the republic or national bank of the autonomous province on the transactions and balances in accounts as well as other information in the manner and within the intervals defined by the National Bank of Yugoslavia.

The national banks of the republics and the national banks of the autonomous provinces shall file reports with the National Bank of Yugoslavia on transactions and balances of the accounts referred to in Paragraph 1 of this article in the manner and within the intervals specified by the National Bank of Yugoslavia.

Article 50

Differences in value which have come about in foreign business transactions as a consequence of transportation risks, discounts, penalties, rebates, value adjustments and the like shall be substantiated with documentation. The body of self-management of the organization of associated labor shall decide on the substantiation of the difference that has come about.

The manner and procedure of substantiation of differences as referred to in Paragraph 1 of this article shall be prescribed by the federal secretary for finance in agreement with the federal secretary for foreign trade.

Article 51

Payment and collection on the basis of imports and exports of goods and services in local border trade and overseas trade with neighboring countries and through international treaties on fairs and compensation deals shall be regulated in an enactment issued by the Federal Executive Council in conformity with this law and international treaties on such transactions.

Article 52

Organizations of associated labor which engage in the business of acting as intermediary in importing and exporting shall make payments and collections in such transactions under the conditions prescribed by the Federal Executive Council.

Article 53

Foreign persons may deposit dinars and foreign exchange in sight deposits, accounts requiring a period of notice before withdrawal, or time deposits only with authorized banks.

The National Bank of Yugoslavia may define the conditions under which the resources of foreign persons may be accepted in deposit.

Article 54

Foreign persons may realize dinar receivables in an account with an authorized bank, as follows:

1) with a purchase of dinars for foreign exchange as referred to in Article 29, Paragraph 1, of this law;

2) by selling to a domestic person for dinars goods and services which the domestic person has the right to import and pay for under the provisions of this law and enactments issued on the basis of this law;

3) by a transfer from an account of another foreign person who has resources on one of the bases referred to in Subparagraphs 1 and 2 of this paragraph.

Dinar claims realized under the provisions of Paragraph 1 of this article may be used by foreign persons to pay for goods and services and to make other payments within Yugoslavia, for transfer abroad, and for transfer to another foreign person.

Foreign persons may also use dinar claims realized under the provisions of Paragraph 1 of this article to extend credit to organizations of associated labor and other social juridical persons. Organizations of associated labor and other social juridical persons may take those credits in conformity with the Law on Foreign Credit Relations.

Article 55

Dinars which organizations of associated labor collect through the sale of goods and services to a foreign person in Yugoslavia and which are transferable shall be treated in the same manner as a collection made in foreign exchange.

Article 56

Foreign persons may keep the dinar claims which they realize on other bases than the bases enumerated in Article 54, Paragraph 1, of this law in an account in an authorized bank and use them for certain payments in Yugoslavia, for transfer to other foreign persons and for transfer abroad under the conditions set forth by the Federal Executive Council with consent of the competent bodies of the republics and autonomous provinces.

Article 57

The National Bank of Yugoslavia shall supervise international payments.

Article 58

The prices of services rendered to foreign persons in Yugoslavia and to domestic persons abroad by domestic persons may be denominated in a foreign currency, but they shall be collected exclusively in dinars.

The Federal Executive Council shall prescribe for what services prices may be indicated in a foreign currency.

V. Foreign Exchange Transactions of Banks

Article 59

Banks which fulfill the prescribed conditions for conducting such transactions shall conduct the transactions of international payments, foreign credit transactions, currency exchange transactions and exchange-office transactions in Yugoslavia.

The Federal Executive Council shall prescribe the conditions for performance of the transactions enumerated in Paragraph 1 of this article.

The National Bank of Yugoslavia shall issue authorizations to banks for conducting the transactions of international payments and foreign credit transactions and the national banks of the republics and national banks of the autonomous provinces shall do so for the conduct of currency exchange transactions within the country.

The authorization referred to in Paragraph 1 of this article may also be issued to the Postal Savings Bank within the limits of its business operation as set forth in federal law.

Fully authorized banks shall be entered in a separate register kept by the National Bank of Yugoslavia.

Article 60

Foreign exchange which fully authorized banks have in accounts abroad shall be used for making payments abroad in conformity with this law.

The National Bank of Yugoslavia may prescribe the minimum amount of foreign exchange which fully authorized banks may keep in accounts abroad or the maximum amount of foreign exchange which those banks may keep in accounts abroad.

Article 61

An authorized bank may convert foreign exchange in a foreign exchange account for a payment abroad for domestic and foreign persons at their request.

The National Bank of Yugoslavia, if exceptional circumstances so require, may temporarily restrict the conversion of foreign exchange in a foreign exchange account of domestic persons or in the foreign exchange or dinar account of a foreign person.

Article 62

The National Bank of Yugoslavia shall define the conditions under which fully authorized banks may deposit funds in accounts abroad for an indefinite period with a notice period required for withdrawal and in time deposits.

Article 63

The National Bank of Yugoslavia may prescribe in which foreign banks fully authorized banks may have foreign exchange accounts.

Fully authorized banks are required to file reports with the National Bank of Yugoslavia on transactions and balances in those accounts within the periods and in the manner prescribed by the National Bank of Yugoslavia.

Article 64

Authorized banks are required to adopt annual, semi-annual, quarterly and monthly plans of the inflow and outflow of foreign exchange and to guarantee their fulfillment in every aspect of their business.

Authorized banks are required to file plans of the inflow and outflow of foreign exchange with the National Bank of Yugoslavia within the prescribed period for the purpose of ascertaining the total capabilities and obligations for making payments abroad.

The National Bank of Yugoslavia shall prescribe the interval and manner for adoption of the plans referred to in Paragraph 1 of this article.

Article 65

Authorized banks shall sell foreign exchange to and purchase foreign exchange from citizens and civil juridical persons in their own name and on their own account at the daily exchange rate formed at the Interbank Meeting of the exchange market.

Authorized banks shall make spot sales and purchases of foreign exchange with foreign persons in their own name and on their own account at the exchange rate formed at the Interbank Meeting of the exchange market.

VI. Foreign Exchange Reserves

Article 66

The foreign exchange reserves of Yugoslavia shall consist of the following:

1) claims and accounts abroad of the National Bank of Yugoslavia, authorized banks and other domestic persons;

2) securities denominated in foreign money units possessed by the National Bank of Yugoslavia, authorized banks and organizations of associated labor;

3) monetary gold;

4) effective foreign money.

Yugoslavia's foreign exchange reserves shall consist of permanent foreign exchange reserves and current foreign exchange reserves.

The permanent foreign exchange reserves constitute a part of total foreign exchange reserves of Yugoslavia with which the minimum overall liquidity of foreign payments is guaranteed.

Current foreign exchange reserves are a part of Yugoslavia's total foreign exchange reserves with which current liquidity of foreign payments is guaranteed in conformity with the projected proportions of Yugoslavia's balance of payments.

The balance in clearing accounts shall be indicated separately.

Article 67

Yugoslavia's foreign exchange reserves shall be used to maintain the country's general liquidity in international payments and for interventions on the unified exchange market depending on the dinar's exchange rate and in conformity with the country's economic policy and the policy governing foreign exchange reserves.

Article 68

The policy governing foreign exchange reserves embraces establishment of the volume and pattern of Yugoslavia's total foreign exchange reserves and the sources and manner of their formation and use.

Article 69

The SFRY Assembly shall establish the minimum amount of permanent foreign exchange reserves and current foreign exchange reserves for each year.

The volume of payments envisaged in the projection of Yugoslavia's balance of payments shall serve as the framework for establishing current foreign exchange reserves.

Article 70

The National Bank of Yugoslavia and fully authorized banks shall handle Yugoslavia's foreign exchange reserves in conformity with the policy governing foreign exchange reserves which has been set forth.

The National Bank of Yugoslavia shall handle the permanent foreign exchange reserves. Use of permanent foreign exchange reserves shall be proposed by the National Bank of Yugoslavia and decided by the Federal Executive Council.

The National Bank of Yugoslavia shall submit to the Federal Executive Council and SFRY Assembly a report on conduct of the policy governing foreign exchange reserves.

Article 71

The National Bank of Yugoslavia shall purchase foreign exchange for Yugoslavia's foreign exchange reserves at the Interbank Meeting of the exchange market abroad.

The National Bank of Yugoslavia may borrow abroad in order to maintain Yugoslavia's liquidity in international payments, in the manner envisaged by federal law.

VII. Disposition of Foreign Exchange by Individuals and Civil Juridical Persons

Article 72

Individuals and civil juridical persons may sell foreign exchange which they have brought in or received from abroad to an authorized bank or authorized exchange office, and they may place convertible foreign exchange in a foreign-exchange account or foreign-exchange savings account in an authorized bank.

Individuals and civil juridical persons may use foreign exchange which they have in a foreign-exchange account or foreign-exchange savings account to pay

for the importation of goods and to make other payments abroad for their own purposes, and individuals may also do so to meet the needs of members of their family.

In the context of Paragraph 2 of this article and Article 75 of this law "members of an individual's family" means spouse, children and parents.

The National Bank of Yugoslavia shall prescribe the manner in which the foreign-exchange account and foreign-exchange savings account shall be administered.

Article 73

Foreign natural persons may keep foreign exchange in a foreign-exchange account or foreign-exchange savings account with authorized banks.

Article 74

Individuals and civil juridical persons may keep foreign exchange in foreign-exchange accounts and foreign-exchange savings accounts either as sight deposits or time deposits.

Article 75

Authorized banks shall pay interest in dinars on the foreign exchange in foreign-exchange accounts and foreign-exchange savings accounts of individuals and civil juridical persons except on foreign exchange in the foreign-exchange accounts and foreign-exchange savings accounts of Yugoslav nationals employed abroad temporarily while they are abroad, on which interest shall be paid in foreign exchange or, at their request, in foreign exchange and dinars, or in dinars.

Authorized banks shall pay interest in foreign exchange on the foreign-exchange accounts and foreign-exchange savings accounts of foreign natural persons or, at their request, in foreign exchange and dinars, or in dinars.

The Federal Executive Council shall prescribe which individuals are regarded as Yugoslav nationals employed abroad temporarily in the context of Paragraph 1 of this article, the documentation on the basis of which the authorized bank may compute and pay interest in foreign exchange, and also the manner and periods of time for submittal of that documentation.

Article 76

The authorized bank shall be required to safeguard the secrecy of information about the foreign-exchange accounts of individuals and foreign-exchange savings accounts of individuals.

Information about the foreign-exchange accounts of individuals and foreign-exchange savings accounts of individuals may be released only at the written request of a court.

Article 77

Authorized banks may sell foreign exchange to meet the needs of individuals and civil juridical persons in the fields of health care and education, for traveling and moving expenses abroad, to support family members abroad, to meet court costs and other costs abroad, for tourist travel abroad and for other purposes, in the amounts and under the conditions prescribed by the Federal Executive Council.

Article 78

The Federal Executive Council shall prescribe the conditions under which individuals and civil juridical persons may use dinars for the following purposes:

1) to purchase coupons for payment of motor gasoline abroad;

2) to pay for services rendered by foreign persons in international passenger transportation;

3) to pay expenses of group and individual trips abroad to domestic tourist agencies.

VIII. Carrying Dinars, Foreign Exchange and Securities Out Of and Into the Country

Article 79

Dinars shall be carried into and out of Yugoslavia in international passenger traffic in the amounts and denominations prescribed by the National Bank of Yugoslavia.

Dinars and negotiable instruments denominated in dinars, effective foreign money and negotiable instruments denominated in a foreign currency shall be sent out of Yugoslavia in the mails or by other shipment under the conditions prescribed by the National Bank of Yugoslavia.

Dinars and negotiable instruments denominated in dinars shall be brought into Yugoslavia through the mails and by other shipment under the conditions prescribed by the National Bank of Yugoslavia.

Article 80

Foreign exchange may be freely brought into Yugoslavia.

Yugoslav nationals may carry abroad only foreign exchange which they withdraw from foreign-exchange accounts and foreign-exchange savings accounts and foreign exchange which they purchase from an authorized bank in conformity with regulations.

Foreign nationals and Yugoslav citizens employed abroad temporarily may on

departure from Yugoslavia carry out foreign exchange which they freely dispose of in Yugoslavia in conformity with regulations.

Dinars which foreign nationals and Yugoslav citizens employed abroad temporarily possess in Yugoslavia and which derive from foreign exchange sold to an authorized bank or exchange office may be carried out of Yugoslavia in the denominations and amounts permitted to be carried out or they may use them to purchase foreign currencies of the same kind for the purpose of transfer abroad.

Article 81

Yugoslav nationals may not have current accounts and other accounts abroad, foreign savings account passbooks and credit cards of foreign issuers, nor may they purchase foreign securities or borrow abroad.

Yugoslav nationals while employed abroad temporarily or while working in diplomatic consular missions abroad and emigres who have returned to the country may have current accounts and other accounts abroad.

Non-negotiable domestic savings account passbooks denominated in dinars and domestic and foreign savings account passbooks which foreign nationals and Yugoslav citizens employed abroad temporarily or working in diplomatic and consular missions abroad possess and which are denominated in foreign currencies may be carried or sent out of Yugoslavia.

Non-negotiable domestic savings account passbooks denominated in dinars may be carried or sent out of Yugoslavia only with permission of the national bank of the republic or national bank of the autonomous province in conformity with the conditions prescribed by the National Bank of Yugoslavia.

Article 82

Domestic securities denominated in foreign exchange or dinars may be freely carried or sent out of Yugoslavia and carried or sent into Yugoslavia.

Foreign securities may be freely carried or sent into Yugoslavia, but they may be carried or sent out of Yugoslavia only with permission of the national bank of the republic or national bank of the autonomous province, in conformity with the conditions prescribed by the National Bank of Yugoslavia.

Article 83

Foreign securities, coupons of foreign securities and foreign savings account passbooks may be redeemed through fully authorized banks by Yugoslav nationals while they are employed abroad temporarily or upon their definitive return to the country.

Yugoslav nationals who on the basis of inheritance or on some other basis become entitled to foreign securities, coupons of foreign securities and foreign savings account passbooks may redeem them through fully authorized

banks.

The negotiable instruments referred to in Paragraphs 1 and 2 of this article may be sold to fully authorized banks and the equivalent value collected in dinars or foreign exchange, pursuant to regulations.

Article 84

Checks drawn on foreign persons in Yugoslavia may not be resold nor endorsed in Yugoslavia.

Checks denominated in dinars drawn in Yugoslavia may not be honored if they carry the endorsement of a foreign person.

IX. The Sale of Gold

Article 85

Newly mined gold and gold coin may be exported and carried abroad as follows:

1) by the National Bank of Yugoslavia - in newly mined form or coin;

2) by organizations of associated labor engaged in the production of gold (hereinafter "gold producers") - in minted form.

3) fully authorized banks - in minted form.

Domestic persons, other than the persons referred to in Paragraph 1 of this article, may export and carry abroad newly mined gold and gold coin only with permission of the National Bank of Yugoslavia.

Article 86

Gold producers may sell newly mined gold to organizations of associated labor which use gold within the limits of their regular activity and to government agencies for their purposes (hereinafter "gold users") as well as to the National Bank of Yugoslavia, or they may sell it abroad.

Gold users and the National Bank of Yugoslavia may purchase newly mined gold abroad.

Gold users shall pay for newly mined gold being imported and shall collect for newly mined gold being exported within the limits and up to the amount set forth in the permit (D) of the competent federal administrative agency.

Article 87

Only gold users may melt gold and process gold in bars, and that for their own purposes and to meet the needs of other gold users.

The melting down of gold coin shall be prohibited.

Article 88

Authorized banks, gold processors and gold refineries may substitute articles of gold and broken gold for gold dental sheet.

Authorized banks may substitute gold coin for gold dental sheet.

Article 89

Authorized banks may purchase gold coin from domestic and foreign persons at the price at which such gold is sold on the world market.

Article 90

Gold producers are required to keep records on quantities of gold produced and sold, and gold users on quantities of gold purchased and processed.

The federal secretary for finance shall prescribe the manner in which the records referred to in Paragraph 1 of this article shall be kept.

Article 91

In the context of this law "gold" does not refer to articles of gold and broken gold.

For the purpose of this law "articles of gold" means jewelry, decorations and gold articles which have artistic value.

For the purpose of this law "broken gold" means articles of gold which are purchased or sold according to weight, purity and the price of pure gold, not taking into account the costs of manufacture.

For the purpose of this law "gold bars" means newly mined gold in whatever form.

For the purpose of this law "gold coin" means all types of gold coins regardless of whether they are legal tender in any country.

Article 92

If the status of liquidity in international payments, the level and pattern of foreign-exchange reserves and other reasons so require, the Federal Executive Council may restrict or prohibit gold from being exported or carried abroad and may restrict sales of gold within the country.

X. Special Provisions on International Payments

Article 93

Until dinar convertibility and stable equilibrium in the country's balance of payments are established, payments for imports of goods and services and all

other payments to foreign countries shall be made according to the provisions of Articles 94 through 130 and also according to the other provisions of this law which are not in opposition to those provisions.

Article 94

The right to make payment abroad shall be established by the commodity regime and the payments regime, which shall be interdependent and shall constitute a single system.

The volume of payments abroad shall be determined by the forms of imports: free importation (LB), provisionally free importation (LBO), quota (K) and permit (D).

Socially recognized needs in reproduction shall be established for the payment of raw materials and production supplies which come under the regime of provisionally free importation (LBO) and invisible payments to meet the needs of reproduction.

When rights to import are being established pursuant to the Law on Foreign Commerce, priority shall go to organizations of associated labor which have larger exports and inflow of foreign exchange than their imports and which are establishing links and carrying out joint development programs for the purpose of joint exports and mutual deliveries.

Organizations of associated labor shall allocate import rights among themselves within the Economic Chamber of Yugoslavia on the basis of quotas and may by agreement allocate the socially recognized needs in reproduction in conformity with this law.

The total volume of payments abroad as established in the projection of Yugoslavia's balance of payments shall be implemented in conformity with the achievement of Yugoslavia's balance of payments.

Article 95

Fully authorized banks shall pay collections in foreign exchange which organizations of associated labor and other social juridical persons have earned in conduct of business with foreign countries in the equivalent value of dinars, unless this law provides otherwise.

Article 96

The fully authorized bank through which organizations of associated labor and other social juridical persons conduct their foreign-exchange transactions shall compute the equivalent dinar value of the foreign exchange referred to in Article 95 at the daily exchange rate in effect on the date of the computation within 2 days from the arrival of the inflow of foreign exchange and shall credit it to the giro account of those organizations.

As an exception to the provision of Paragraph 1 of this article, a fully

authorized bank may allow a collection made in foreign exchange to be credited to the foreign-exchange account of an organization of associated labor on the following grounds:

1) performance of work on capital investment projects abroad, aside from profits;

2) brokerage in foreign trade;

3) agency transactions;

4) the sale of foreign goods from an import consignment warehouse.

Foreign exchange earned as a commission by organizations of associated labor in the agency business of selling foreign commodities from import consignment warehouses may not be credited to a foreign-exchange account.

Fully authorized banks may allow the foreign exchange realized on the basis referred to in Paragraph 2 of this article to be credited to a foreign-exchange account if a contract has been concluded with the organization of associated labor which made the collection on that basis.

Article 97

So long as the provisions of Articles 94 through 130 of this law are in effect, the exchange rate of the dinar shall be formed according to the supply of and demand for foreign exchange and the country's economic policy and in conformity with the policy of the single rate of exchange of the dinar, which is an integral part of the country's economic policy and safeguards the following:

1) maintenance of the level of international competitiveness of exports which has been achieved;

2) quantitative adaptation of the dinar's exchange rate in accordance with the export targets and trends in the balance of payment.

Article 98

So long as the provisions of Articles 94 - 130 of this law are in effect, in order to implement the policy governing foreign-exchange reserves handled by the National Bank of Yugoslavia and to maintain liquidity in international payments, the projection of Yugoslavia's balance of payment shall set forth the amount of foreign exchange which fully authorized banks shall each year transfer from their current inflow of foreign exchange to accounts abroad of the National Bank of Yugoslavia.

Article 99

The National Bank of Yugoslavia shall intervene at the Interbank Meeting of the unified foreign exchange market with the foreign exchange of current

foreign-exchange reserves which it handles in order to bridge the time gap between the inflow and outflow of foreign exchange so as to maintain the level of those reserves in keeping with the projection of Yugoslavia's balance of payments.

Article 100

If a fully authorized bank is unable to meet obligations come due on foreign credits by the date when they come due, and if that bank is unable to use banking lines of credit, fully authorized banks, along with the National Bank of Yugoslavia, shall guarantee that the obligations come due are met at the Interbank Meeting of the unified foreign-exchange market. If payment of the obligations can not be insured even in that manner, the National Bank of Yugoslavia may as an exception intervene with foreign exchange from current foreign-exchange reserves handled by the authorized banks by issuing orders to those banks to sell foreign exchange.

The National Bank of Yugoslavia shall freeze the current payments abroad of a fully authorized bank which has used the foreign exchange referred to in Paragraph 1 of this article, except in the case of obligations on foreign credits, until it sells foreign exchange on the unified foreign exchange market up to the amount which it used under the order of National Bank of Yugoslavia.

Article 101

Payments abroad shall be made within the limits of the proportions in Yugoslavia's balance of payment and in line with the achievement of those proportions, in all of which particular consideration shall be paid to cash flows.

The volume of payments of obligations on foreign credits, the volume of payments for imports of goods for the forms of importation set forth in federal law (LB, LBO, K, and D) by purposes (reproduction, equipment and general consumption), services, and the needs of sociopolitical communities, shall be set forth in the projection of Yugoslavia's balance of payments for each year.

Article 102

Obligations come due on foreign credits, imports of goods and services and other invisible payments shall be made by organizations of associated labor and other social juridical persons in conformity with the provisions of this law by issuing a payment order to a fully authorized bank and by paying in the corresponding equivalent dinar value.

Article 103

Obligations come due on foreign credits shall be paid freely by organizations of associated labor and other social juridical persons.

Article 104

Goods and services whose importation is unrestricted (LB) shall be paid for freely.

Article 105

Goods and services whose importation is provisionally free (LBO) shall be paid for within the limits of the established volume of payments abroad.

Article 106

Goods which are required to be imported on the basis of a quota (K) and a permit (D) shall be paid for up to the established right to import and up to the quantities or value stated in the quota or the permit.

Article 107

Socially recognized needs in reproduction shall embrace the payment for imports of raw materials, production supplies and invisible payments indispensable to the current reproduction of organizations of associated labor within the framework of provisionally free importation (LBO).

Organizations of associated labor shall make the payments abroad referred to in Paragraph 1 of this article only to meet their own needs.

Article 108

The socially recognized needs in reproduction of organizations of associated labor in the current year shall be calculated on the basis of the value of imports and invisible payments in the previous year, and that for goods whose importation is provisionally free.

Socially recognized needs in reproduction in the current year shall be increased or reduced in proportion to the increase or reduction of exports and the inflow of foreign exchange from invisibles in that year as compared to the previous year.

Socially recognized needs in reproduction shall be established each year as a function of the distribution of goods and services among the various forms of importation.

Article 109

The socially recognized needs in reproduction referred to in Article 108 of this law may be increased as follows at the request of an organization of associated labor:

1) in the case of an organization of associated labor whose exports are larger than imports - by virtue of an increased share of imports in exports as compared to the previous year;

2) in the case of an organization of associated labor whose imports are larger than its exports, and also in the case of an organization of associated labor which is prohibited from exporting - in proportion to the growth of exports or in proportion to the exports prohibited in the current year;

3) in the case of an organization of associated labor which does not export - by no more than the percentage of increase of total exports in the current year.

The percentage of growth of socially recognized needs in reproduction shall be established for the organizations of associated labor referred to in Paragraph 1, Subparagraph 3, of this law by the Federal Executive Council on the basis of actual exports in the first five months of the current year.

Article 110

Socially recognized needs in reproduction shall be computed by the fully authorized bank in conformity with Articles 108 and 109 of this law.

Article 111

Organizations of associated labor may by agreement within the Economic Chamber of Yugoslavia allocate socially recognized needs in reproduction computed according to the provisions of this law on the basis of obligations assumed in mutual deliveries, in exporting and importing, and in joint development.

Agreements concluded in the context of Paragraph 1 of this article shall be submitted to the fully authorized banks through which the organizations of associated labor participating in the agreements make their foreign collections and payments.

The fully authorized banks are required to execute the orders of organizations of associated labor pursuant to the agreement and to monitor performance of the agreement referred to in Paragraph 1 of this article.

Article 112

The socially recognized needs of reproduction of organizations of associated labor shall be established for the entire year, but they may also be established quarterly, as a function of export transactions concluded and the pace of their accomplishment in the current year.

Article 113

A fully authorized bank shall calculate the reduction or increase of a socially recognized need in reproduction in conformity with Articles 108 and 109 of this law.

Article 114

The fully authorized bank shall execute the orders of an organization of

associated labor to make payment abroad only up to the amounts of socially recognized needs in reproduction which have been computed.

The fully authorized bank shall be responsible for calculating the socially recognized needs in reproduction and for executing the foreign payment orders of organizations of associated labor.

Article 115

The fully authorized bank shall keep records on exports and imports and on all payments and collections of organizations of associated labor, which shall be used as follows:

1) for calculation of socially recognized needs in reproduction;

2) to monitor fulfillment of plans for inflow and outflow within that bank;

3) to establish the foreign-exchange position referred to in Article 33, Paragraph 2, of this law.

The National Bank of Yugoslavia shall prescribe the type of data and manner of keeping records in fully authorized banks in the context of Paragraph 1 of this article.

Article 116

The projection of Yugoslavia's balance of payments shall set forth the volume of payments for consumer goods.

The General Trade Association and the General Association of the Tourist Industry shall establish the composition of consumer goods and the manner in which those goods are to be imported within the framework of the Economic Chamber of Yugoslavia.

In establishing the makeup of consumer goods being imported, the point of departure shall be the need of the unified Yugoslav market for such goods, especially the needs of tourist areas in the season, its influence on the formation of prices and so on. The manner of the importation shall be established by bidding, according to the quality and price offered for the goods which are to be imported, in addition to the possibility of making provision for corresponding exports.

The Federal Executive Council may state when certain consumer goods may be imported without bidding.

Article 117

The Federal Executive Council may prescribe the conditions under which advantage may be taken of certain types of services which foreign persons offer to domestic persons.

Article 118

Organizations of associated labor which are engaged in the offering of services in international freight and passenger transportation shall freely pay their operating costs abroad.

The Federal Executive Council shall state what is meant by "operating expenses abroad."

Article 119

The projection of Yugoslavia's balance of payments shall fix the volume of payments to meet the needs of the Federation and to meet the needs of the republics and autonomous provinces.

The volume of payments referred to in Paragraph 1 of this article shall embrace the needs of the Yugoslav People's Army and performance of the tasks of federal agencies in the domain of national defense, physical reserves and other domains, discharge of the obligations of the Federation on Foreign Credits concluded by the National Bank of Yugoslavia, and the payment needs of the republics and autonomous provinces and their agencies and organizations.

The SFRY Assembly shall fix the volume of payments to meet the needs stated in Paragraph 2 of this article in each year.

Within the limits of the volume of payments to meet the needs of the Federation the Federal Executive Council shall fix the volume of payments to meet the needs of individual federal agencies and organizations.

The competent authorities in the republic and autonomous province shall distribute the volume of payments to meet the needs of the republics and autonomous provinces as established by act of the SFRY Assembly referred to in Paragraph 3 of this article.

Article 120

Payment for imports of goods in local border traffic and overseas traffic with neighboring countries and on the basis of compensation contracts related to international fairs shall be made in conformity with the prescribed form of importation.

Article 121

Insurance communities and reinsurance communities shall collect insurance premiums or reinsurance premiums from domestic persons in dinars and from foreign persons in foreign exchange and dinars as stated in Article 54 of this law.

Insurance communities and reinsurance communities shall pay damages to domestic persons in dinars and to foreign persons in foreign exchange through

authorized banks.

As an exception to the provisions of Paragraphs 1 and 2 of this article, operating components of organizations of associated labor doing work on capital investment projects abroad shall pay insurance and reinsurance premiums and shall collect damages in foreign exchange.

Reinsurance communities shall pay reinsurance premiums to foreign insurance companies freely.

Organizations of associated labor and other social juridical persons who have been paid damages in dinars on the basis of imported goods which were insured and on the basis of insurance of vessels and aircraft may up to the level of the damages paid pay for importation of goods freely even if importation of such goods is regulated.

Article 122

Organizations of associated labor may collect for the services of upgrading goods for foreign persons in kind in conformity with the right to pay for imports according to the various forms of importation.

The services of upgrading domestic goods which foreign persons render shall be paid for by domestic organizations of associated labor in conformity with the right to make payment for the various forms of importation.

The Federal Executive Council shall regulate the manner of payment or collection for services referred to in Paragraphs 1 and 2 of this article.

Article 123

Goods imported on the basis of long-term international industrial cooperation shall be paid for freely up to the amount collected on the basis of exports of goods arising out of that cooperation.

Article 124

The transfer of funds abroad on the basis of profit which a foreign investor has realized in a joint venture with a domestic organization of associated labor shall be made in the manner and under the conditions contained in the contract on the joint venture.

The transfer of funds invested or the remainder of funds invested shall be made freely if the investment contract terminated because the business goals had been achieved or because the life of the contract had expired or if the investment contract was dissolved on the grounds envisaged by federal law or if the investment contract provided that the foreign investor could withdraw a portion of the funds invested even during the life of that contract.

Article 125

Organizations of associated labor which are producers, organizations of associated labor which engage in the business of exporting and importing goods and services, and banking organizations, which consistent with federal legislation invest capital to carry on a business activity abroad, shall invest or augment their investment only within the limits of the envisaged volume of credit extended abroad in the projection of Yugoslavia's balance of payments.

Article 126

Organizations of associated labor which are engaged in exploration, exploitation, renewal and maintenance of reserves of ores and other mineral resources abroad shall pay the expenses of that business operation in the manner prescribed by the Federal Executive Council.

Article 127

Expenses of official travel abroad, advertising expenses, expenses of representative offices and delegates abroad, expenses for advanced technical training of personnel abroad, fees and import charges, membership dues and assessments, as well as other expenses related to business operation abroad or in connection with carrying on activities abroad shall be paid for by organizations of associated labor and other social juridical persons within the limits of the socially recognized need in reproduction that has been established and under the conditions prescribed by the Federal Executive Council.

Article 128

If exports of goods and services and the growth of the inflow of foreign exchange exceed the volume fixed in the projection of Yugoslavia's balance of payments, the Federal Executive Council shall increase the volume of imports for the various forms of importation or shall specify freer forms of importation for certain goods.

Article 129

If the proportions in Yugoslavia's balance of payments are not achieved in conformity with the projection of Yugoslavia's balance of payments which has been adopted, the Federal Executive Council, in addition to the measures stated in Article 24 of this law, may also prescribe the measures of reducing the import rights pertaining to various forms of importation and rights to make payment for visibles and invisibles.

When the measures referred to in Paragraph 1 of this article are in effect, the Federal Executive Council is required to reassess the policy governing the exchange rate of the dinar and other measures to stimulate exports, including exemption of organizations of associated labor whose exports are greater than imports from the restriction envisaged in Paragraph 1 of this article.

Article 130

If the plans for the inflow and outflow of foreign exchange of a fully authorized bank are not being fulfilled with respect to volume and according to schedule, the National Bank of Yugoslavia may restrict that bank's payments abroad.

In the case referred to in Paragraph 1 of this article the bank's foreign payment shall be subject to certification by the authorized controller of the National Bank of Yugoslavia.

XI. Foreign-Exchange Supervision

Article 131

Foreign-exchange transactions and export and import transactions and foreign credit relations shall be subject to foreign-exchange supervision.

Foreign-exchange supervision shall ascertain the following:

1. whether the prescribed conditions have been fulfilled for conclusion of contracts on foreign commerce, including contracts on compensation deals, local border trade and trade with neighboring overseas countries, and contracts on brokerage in exporting and importing, or whether the conditions have been met for engaging in commerce, and also whether the prescribed conditions have been met and documentation is correct for issuing guarantees and other payment instruments under such contracts;

2. whether the prescribed conditions have been fulfilled for engaging in business activities abroad or for performing work on capital investment projects abroad, or for borrowing abroad by economic entities engaged in those activities or performing that work, and also whether the conditions have been met for issuing guarantees and superguarantees covering such indebtedness;

3. whether the conditions have been fulfilled for issuing guarantees, superguarantees and other forms of suretyship for establishment of foreign credit relations;

4. the lawfulness of payment in foreign exchange and dinars in foreign-exchange transactions and export-import transactions and foreign credit relations;

5. the use of foreign exchange in accordance with the laws and regulations enacted on the basis of laws concerning foreign-exchange transactions and export-import transactions, foreign credit relations, the performance of business activities abroad and the performance of work on capital investment projects abroad;

6. the accuracy of computation of socially recognized needs in reproduction by fully authorized banks and the meeting of those needs;

7. the fulfillment of the prescribed obligations of the banks through which international payments are made;

8. the keeping of foreign exchange in accounts abroad and the payment and collection through open accounts;

9. the legality of the realization of foreign exchange and disposition of it by individuals and civil juridical persons, the carrying of foreign currency, dinars and securities out of and into the country, as well as the lawfulness of gold sales;

10. enforcement of regulations on the sale of goods for foreign currency from import consignment warehouses and other permitted forms of the sale of goods for foreign currency and of regulations pertaining to the business operations of organizations of associated labor which organize games of chance.

Article 132

Foreign-exchange supervision shall be performed by the Federal Foreign Exchange Inspectorate, by the National Bank of Yugoslavia and by the national banks of the republics and the national banks of the autonomous provinces.

Certain functions in foreign-exchange supervision, within the limits of its jurisdiction, shall be performed by the Social Accounting Service of Yugoslavia and by customs authorities.

The agencies authorized to perform foreign-exchange supervision are required to collaborate with one another in performing foreign-exchange supervision and to furnish one another data, findings and information which they possess and which are necessary to the performance of foreign exchange supervision, to inform the bodies of self-management worker control concerning their findings, and, if necessary, to offer professional assistance to those participating in foreign-exchange transactions and export-import transactions and foreign credit relations on behalf of correct application of regulations.

The officials heading agencies authorized to perform foreign-exchange supervision shall be accountable for the mutual collaboration of the agencies which they head.

Article 133

The National Bank of Yugoslavia, the national banks of the republics and the national banks of the autonomous provinces shall exercise supervision of the foreign-exchange transactions of banks authorized to make international payments and handle foreign credit transactions, banks authorized to handle currency-exchange transactions within the country, the Yugoslav Bank for International Economic Cooperation, postal savings banks and currency exchange offices, except for the functions performed by other agencies pursuant to this law.

Article 134

The National Bank of Yugoslavia shall supervise the foreign-exchange transactions to meet the needs of the Yugoslav People's Army and other national defense needs conducted by the Federal Directorate for Sales and Reserves of Special-Purpose Products.

Article 135

The National Bank of Yugoslavia shall guarantee the uniform application of regulations and the uniform posture of foreign-exchange supervision performed by the National Bank of Yugoslavia and by the national banks of the republics and the national banks of the autonomous provinces.

The national banks of the republics and the national banks of the autonomous provinces are required to act in accordance with the instructions and guidelines for uniform application of regulations and uniform behavior in the performance of foreign-exchange supervision.

Article 136

The governor of the National Bank of Yugoslavia shall be accountable for providing the foreign-exchange supervision performed by the National Bank of Yugoslavia.

The governor shall issue instructions and guidelines for uniform application of regulations and uniform behavior of the national banks in performance of foreign-exchange supervision.

Article 137

If the National Bank of Yugoslavia or a national bank of a republic or national bank of an autonomous province should in the performance of foreign-exchange supervision establish illegality or irregularity in the operation of an authorized bank or the Yugoslav Bank for International Economic Cooperation, it shall issue a decision whereby it shall take toward such banks the measures prescribed by the Law on the National Bank of Yugoslavia and the uniform monetary transactions of the national banks of the republics and the national banks of the autonomous provinces.

The decision referred to in Paragraph 1 of this article shall be final in administrative proceedings.

Article 138

The Federal Foreign Exchange Inspectorate shall perform supervision of foreign-exchange transactions and export-import transactions and foreign credit relations of organizations of associated labor, all forms of performance of economic activities abroad, sociopolitical communities and their agencies and organizations, sociopolitical and other public organizations, funds and other juridical persons and natural persons.

Article 139

Inspectors and the chief foreign exchange inspector (hereinafter "the inspector") shall perform foreign-exchange supervision within the jurisdiction of the Federal Foreign Exchange Inspectorate.

An inspector who is conducting an examination shall be accountable for the quality and correctness of that examination.

Article 140

In decisionmaking procedure, in ruling on appeals and in taking action in the performance of foreign-exchange supervision, the inspector and the Federal Foreign Exchange Inspectorate shall apply the provisions of the Law on General Administrative Procedure unless federal law provides otherwise.

Article 141

If in performing foreign-exchange supervision an inspector establishes illegality or irregularity in the conduct of foreign-exchange transactions or export-import transactions or foreign credit relations, or if he finds that the measures ordered by the competent agency have not been executed, he shall issue a decision whereby he shall order that the illegalities or irregularities ascertained be corrected or that the measures ordered be executed, stating the time by which this must be done, and he shall also take the other measures envisaged by federal law.

If the inspector does not do this, the chief foreign exchange inspector is required to do so on the basis of the findings which the former has filed.

An appeal may be filed with the Federal Secretariat for Finance against the decision referred to in Paragraph 1 of this article.

At the request of the party the Federal Secretariat for Finance may postpone execution of the decision referred to in Paragraph 1 of this article. No appeal may be filed against a decision ruling postponement of execution of the decision referred to in Paragraph 1 of this article.

Article 142

If there exists warranted suspicion that a particular action contains the features of a crime, economic violation or misdemeanor, the inspector shall be required to file a charge with the agency competent to initiate or to conduct proceedings, or he shall himself render a verdict concerning a misdemeanor, if he is so authorized by law.

If the Federal Foreign Exchange Inspectorate finds in the performance of foreign-exchange supervision that in its foreign-exchange transactions or export-import transactions an organization of associated labor is not abiding by good business usages and business ethics, it shall so inform the Economic Chamber of Yugoslavia that proceedings may be instituted before the court of

honor.

Article 143

If an inspector has filed a charge for a crime, economic offense or misdemeanor for which regulations envisaging the protective measure or security measure of confiscation of articles, the Federal Foreign Exchange Inspectorate may issue a decision temporarily confiscating the articles which were the subject matter of the crime, economic offense or misdemeanor, or which were so intended, or which arose from the commission of the crime, economic offense or misdemeanor.

The Federal Foreign Exchange Inspectorate shall issue a receipt for the articles confiscated.

The Federal Foreign Exchange Inspectorate is required to report the confiscation of articles immediately to the agency competent to conduct proceedings.

Article 144

The Federal Foreign Exchange Inspectorate shall submit the decision referred to in Article 140, Paragraph 1, of this law to the authorized bank or to the Social Accounting Service of Yugoslavia for execution.

The authorized bank and the Social Accounting Service of Yugoslavia are required to execute the decision without delay.

If the perpetrator is an authorized bank, the decision referred to in Article 140, Paragraph 1, shall be delivered to the National Bank of Yugoslavia, which is required to carry out the decision without delay.

The agencies for execution referred to in Paragraphs 1 and 2 of this article are required to notify the Federal Foreign Exchange Inspectorate of the decision's execution.

The Federal Foreign Exchange Inspectorate shall deliver all enforceable decisions as referred to in Article 140, Paragraph 1, of this law to the Social Accounting Service of Yugoslavia if they tend to alter the balance of resources and sources of resources of users of social resources.

Article 145

The accuracy and completeness of data in documents (documentary supervision) which organizations of associated labor and other social juridical persons submit to fully authorized banks shall be examined by the bank to which the documentation was submitted, which on the basis of the data in the documentation shall ascertain the existence of the right or obligation.

Documentary examination is an integral part of the bank's obligations, and it is accountable for the performance of that examination.

Article 146

Within the limits of the financial and physical transactions of users of social resources, the Social Accounting Service of Yugoslavia shall monitor the realization of dinars on the basis of collection of claims abroad, the correctness of computation of the equivalent dinar value on the basis of collection of claims abroad within the framework of gross income and income, the legality of the disposition of dinar funds with which foreign exchange is purchased or obtained for foreign exchange, the correctness of the collection of dinars on the basis of foreign exchange, including the correctness of collection of all refunds of customs duties and other import charges, as well as the correctness of presentation of data on those subjects in documentation, quarterly statements and year-end statements.

Article 147

Customs authorities shall monitor the carrying of foreign currency, dinars, securities and gold carried into or out of the country by domestic and foreign travelers.

Customs authorities shall monitor the conditions for exportation or importation of goods and services.

Article 148

Dinars over and above the amounts and in denominations larger than those permitted to be carried out of Yugoslavia or carried into Yugoslavia which a domestic or foreign traveler does not declare at the time of crossing the border shall be temporarily confiscated, and a receipt shall be issued.

The decision on confiscation or return - partial or complete - of dinars temporarily confiscated shall be made in proceedings for foreign exchange misdemeanors. This decision shall be made even if proceedings for a misdemeanor may not be conducted because the conditions do not obtain for a misdemeanor charge or because the perpetrator was not accessible to the agencies competent to conduct proceedings.

Declared and undeclared dinars over and above the amounts and denominations permitted to be carried into or out of Yugoslavia shall be deposited in a special account of the Federation which is kept with the Social Accounting Service of Yugoslavia until proceedings have been completed.

Declared dinars over and above the amounts and denominations which may be carried out of Yugoslavia shall be returned to a traveler if they are not the subject of a foreign-exchange misdemeanor.

Declared dinars above the amounts and denominations which may be carried into Yugoslavia shall be returned to a traveler at the time of departure from Yugoslavia if they have not been the subject of a foreign-exchange misdemeanor and if within the period of three years from the date of confiscation the traveler submits a request for the return of those dinars.

The request referred to in Paragraph 5 of this article shall be filed with the Federal Foreign Exchange Inspectorate.

Article 149

Foreign exchange which a domestic traveler attempts to carry out of Yugoslavia without declaration to the border customs house contrary to Article 79 of this law shall be temporarily confiscated and a receipt issued.

The decision to confiscate or return - partially or entirely - foreign exchange temporarily confiscated under the provision of Paragraph 1 of this article shall be made in proceedings for foreign exchange misdemeanors. This decision shall also be made if misdemeanor proceedings cannot be conducted because conditions do not obtain for a misdemeanor charge or because the perpetrator is not accessible to the agencies competent to conduct proceedings.

Declared foreign exchange above the amounts and denominations which may be carried out of Yugoslavia shall be delivered to the National Bank of Yugoslavia.

The foreign exchange declared in the context of Paragraph 3 of this article shall be returned to the traveler if it has not been the subject of a foreign-exchange misdemeanor.

Article 150

Domestic and foreign persons may file an appeal with the Federal Council for Misdemeanors against the decision made in the proceedings referred to in Articles 148 and 149 of this law.

Article 151

The decision may not be made on the basis of Article 137, Paragraph 1; Article 141, Paragraph 1, of this law if three years have passed from the date when the illegality or irregularity occurred or from the date when it was established that the measures ordered by the competent authority had not been carried out. The statute of limitations shall be interrupted by every action of the competent agency directed towards the conduct of proceedings. After every interruption of the statute of limitations, it shall begin once again to run, but in no case may a decision be made when six years have passed from the day when the illegality established came about or when it was found that the measures ordered had not been carried out.

Decisions made on the basis of Article 137, Paragraph 1, and Article 141, Paragraph 1, of this law may not be executed if three years have passed from the date when the decision became final. The statute of limitations shall be interrupted by every action of the competent authority aimed at executing the decision. After every interruption the statute of limitations shall begin again to run, but in any case it shall run out when six years have passed from the date when the decision became final.

Article 152

Domestic persons who are subject to foreign-exchange supervision are required to allow the agencies authorized to perform foreign-exchange supervision to examine their business operation and at their request are required to place at their disposition or file with them the necessary documentation and offer the data sought. Juridical persons are also required to provide the conditions for the conduct of foreign-exchange supervision.

The obligations referred to in Paragraph 1 of this article shall also apply to social juridical persons carrying on business activity abroad.

XII. Punitive Provisions

(The provisions for this section will be submitted subsequently.)

XIII. Transitional and Final Provisions

Article 153

The foreign exchange of organizations of associated labor and other social juridical persons, except for those who under the provisions of this law may have foreign-exchange accounts, in accounts with authorized banks as of 31 December 1985 shall be converted to dinars at the exchange rate in effect on 31 December 1985.

Article 154

On the day when this law takes effect the Yugoslav Community of Interest for Foreign Economic Relations shall terminate its operation.

The resources, equipment, archives, documentation and other property shall be taken over by the Federal Secretariat for Foreign Trade and the Federal Secretariat for Finance - by agreement.

Personnel in the Yugoslav Community of Interest for Foreign Economic Relations shall possess the rights and duties of personnel in a federal administrative agency terminating its operation as set forth in the Law on the Bases of the System of Government Administration and on the Federal Executive Council and Federal Administrative Agencies (SLUZBENI LIST SFRJ) [Official Gazette of the Socialist Federal Republic of Yugoslavia], No 23, 1978).

Article 155

Socially recognized needs in reproduction for 1986 shall be established by deducting from total payments abroad which organizations of associated labor and other social juridical persons made in 1985 the payment of obligations come due under foreign credits in 1986 and all payments for goods whose importation is free (Article 104) as well as goods imported on the basis of quotas and permits (Article 106).

Article 156

This law shall take effect as of 1 January 1986.

Article 157

On 1 January 1986 the Law on Foreign Exchange Transactions and Credit Relations with Foreign Countries (SLUZBENI LIST SFRJ, No 15, 1977; No 61, 1982; No 77, 1982; No 34, 1983; No 70, 1983; and No 71, 1984) and the Law on Payment in Convertible Currencies (SLUZBENI LIST SFRJ, No 34, 1983 and No 70, 1983) shall cease to be valid.

Article 158

This law shall take effect on the eighth day after publication in SLUZBENI LIST SFRJ.

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YUGOSLAVIA

ECONOMIST PJANIC ON FAILURE OF STABILIZATION

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1778, 27 Jan 85
pp 22-25

[Interview with Professor Zoran Pjanic by [first name illegible] Rabrenovic: "An Abundance of Big Words"]

[Text] "What is happening now in the economy and society could have been expected -- if not such negative phenomena, at least some of them with similar strength. All of this could have been predicted on the basis of the economic trends in 1981 and 1982. After all, it was because of this that the Long-Term Economic Stabilization Program was developed."

That is how Professor Zoran Pjanic of the Belgrade Economic Faculty, who was also a member of the Commission that prepared the Stabilization Program, explained the present economic and social situation (difficulties), at the beginning of a conversation that we conducted with him, as an old colleague, in connection with the anniversary of NIN.

"The past two years prove correct not only those who accepted the Long-Term Economic Stabilization Program as a reform, specifically a serious reform of the economic and political system, but also those among them who insisted on a one-time reform as a great simultaneous undertaking that would embrace both systemic changes and also settling aggregate and the fundamental relative prices, with the goal of making our economy a real commodity economy and a planned one.

Comparison as Proof

Unfortunately, the idea of a great undertaking that would be carried out in a short period -- while we were all aware that this could not be done without an accompanying high inflation -- was a failure. The idea of the reform was also a failure, however. Today, in regard to the general economic environment, we are approximately where we were 2 or 3 years ago. Let us not deceive ourselves with some of the elements present in our reality that did not exist before, such as real interest rates, a realistic foreign exchange rate, a certain liberalization of prices, etc. All of this is part of the Economic Stabilization Program, but in view of the other measures and changes that the Program recommended and we did not implement, one can easily draw the conclusion that the 3-4 measures enumerated are more a consequence of external demands than of our own real internal attitude."

[Question] How do you interpret the fact that, for example, assertions are being heard from the federal government, from some very high-ranking members, that the first phase of the Stabilization Program has already been implemented?

[Answer] If people in the government think so and say so, then they should compare the text of the stabilization plan on the necessary changes in the economic system with what has been done so far, and they will convince themselves that we are still far from the completion of the first phase. The Long-Term Economic Stabilization Program was presented in a stratified form over time, which after all suits its name. The above-mentioned systemic, price, and financial reform would be that first phase of the Long-Term Program that is famous among the public. In addition to it, the Program had two more parts. One dealt with a consistent policy for reducing inflation and bringing it down to tolerable limits (and according to the plan that should have been achieved this year), and the tolerable limits are, approximately, that our inflation should be 2-3 times higher than the inflation of our main foreign trade partners. Finally, the Long-Term Program presented guidelines that had been worked out for a restructuring of our economy, its technical-material adjustment to the demands of the world economy and market, and in the vital sectors, bringing it to the level of their direct operationalization.

How does today's economy differ from the one of two years ago? The formation of OOURs (basic organizations of associated labor] (as the bad product of good constitutional, democratic determinations) is still dominant, isolation of the territorial type still prevails, we are still far from a unified Yugoslav market, the decision-making process still has strong bureaucratic characteristics--and consequently the conditions do not exist for the creation of a self-managing dynamic economy of the commodity and planning type. So what then has changed in comparison with 1982? My answer is that when everything is compared, in spite of some differences, on the whole the situation is worse, especially with respect to real economic trends.

[Question] It is precisely these "certain" results that are a reason for the assertion that things have improved. And if they have, then why did something have to be changed and then why did the reform have to be carried out?

[Answer] Even a few months ago, very strong tendencies to discredit the Long-Term Economic Stabilization Program were noted, in two apparently opposite forms. According to one, the economy has shifted, industrial production is growing at a rate of 4-5 percent, for the first time in two years there is a positive growth rate in the social product, the repayment of interest to foreign creditors, in spite of occasional difficulties, has been regular, and employment has been increased.

That is the reason for the assertion that since the economy has begun to recover, it would be bad to undertake anything new, to avoid disrupting the course of events that has been outlined. This is in fact a conservative approach, from which the conclusion follows that with the old practices we can get out of what we are in now.

Others, again supposedly based on some radical self-managing socialist standpoints, criticize the Program because the effect of certain measures, concerning which it is in any case stressed that they were not adopted so much in

accordance with our internal determination as under external pressure, is leading to a polarization in society -- on one hand a stratum of rich people is being created, and on the other the masses of the people are being impoverished. And that is because of real interest rates and the realistic exchange rate of the dinar, because of the orientation toward creating an autonomous market for commodities and money. In fact, we are going back to so-called capital relations, which are contrary to socialism in general, and particularly to self-managing socialism. The course of events, according to them, is dangerous, and calls into question our basic social values and determinations. Accordingly, it is necessary to reexamine in time what we have done, i.e. to return to where we were.

Apparently, these are two opposing views, but in essence they are the same justification of the existing situation, which, as can be seen, nevertheless suits certain social strata -- not just social strata, but also certain parts of the economy and even entire regions.

Exhausted Reserves

[Question] This existing situation is being defended from a position of authority, especially by etatist authorities in the republics and provinces. Is there a fear of the authority of the reform as recommended by the Stabilization Program?

[Answer] One of the means for curbing inflation, increasing exports, and ensuring some sort of liquidity, was reducing real consumption in all forms -- from investment consumption, to general and joint consumption, and even personal consumption. We have reduced investments to a small amount of the total social product, even less than stipulated by the Anti-Inflation Program. The standard of living has noticeably declined for a large part of the population. And joint consumption, realistically viewed, has been brought to a point after which non-economic activities will no longer be able to meet their fundamental obligations in society.

These are reserves that we counted on in 1982, when the Long-Term Economic Stabilization Program was prepared, and when there were still realistic assumptions that in the coming years the social product would grow at least at a slower rate of about 3 percent. Today, these reserves no longer exist.

As for inflation, if our scientific institutes are communicating foreign data well, it has been shown that Yugoslavia, in terms of the cumulative rate of inflation during the period from 1979-1984, is in sixth place in the world. This means that the Anti-Inflation Program has acquired the property of being an academic document, with our inflation being held firmly at a level of 50 to 60 percent. Under such conditions, the etatist forces which are more than just present and which are persistently striving to maintain their position are displaying an incomprehensible and bad economic myopia, and not looking at the real economic trends. It is hard for one to avoid the impression that these forces have been carried away by the fact that there have been no major public social upheavals. At one time the fear of such upheavals existed. It is as if

the bureaucracy were lulling itself with the hope that the people can endure even more and that they will continue to keep silent.

Naturally, this is a question of a political assessment. From this, I draw the following conclusion about the nature of the resistance to the reform: the octopus-like bureaucracy sees the final solution, in reserve, as being a return to the centralized bureaucratic model. It would feel at home in it very quickly. This attitude does not apply to the entire field of politics. Isn't the very acceptance of the Long-Term Economic Stabilization Program sufficient evidence of this assertion?

[Question] The severity of the crisis can be seen everywhere with the naked eye, both on the street and in the shops. Isn't this enough to convince the opponents of the reform that it is necessary?

[Answer] This has to do with a very old anti-commodity, anti-market approach to socialism, an idea that socialism is actually a complete negation of a commodity economy. This is the so-called original sin. For a long time, Marx was interpreted, in regard to socialism, as a thinker who -- in crude terms -- advocated having future society based on the dictatorship of the proletariat and on planning. In time we freed ourselves from the idea that socialism is a totally integrated planned system, and accepted the idea of a commodity economy. I have the impression, however, that with a large number of people this progress only reached the idea of simple commodity production as the basic characteristic of socialism.

The market is not a perfect mechanism, and furthermore, if it is not restricted by anything, it leads to a differentiation of producers, while Marxists have always claimed that the final outcome of this process is the creation of capitalists on one hand and proletarians on the other. Even Lenin, who after all initiated the NEP (New Economic Policy], always said that the peasantry and the market were the source of capitalism, and that the state, through its ownership in industry, transportation, banking, and other sectors, through its planning, could overcome this spontaneous process and ensure socialist construction. These roots have remained with us, and many influential people have never accepted a commodity economy as the original and active mechanism for coordinating production and consumption in society.

I am one of the economists for whom it is quite clear how far the domain of the successful operation of the market reaches, and where the limit is beyond which the market does not provide good results, where the market has to be supplemented with a sound economic policy and where it has to be supplemented not just with planning on the microlevel (since this is the essence of a commodity economy), but also with effective, democratically organized planning at the level of the entire economy.

The Results of Consultation and Agreement

[Question] One has the impression that the "agreement economy," which has after all been the ruling model for the last ten years or so, has produced a sort of state socialism in our country, especially since it has consciously rejected the commodity nature of the economy. Doesn't it appear to you that the

"agreement economy" is the same thing as state socialism, "just a little different, as Vuk Karadzic puts it?"

[Answer] I would distinguish two things here. The first would cover the actual ideological complex of what is called the "agreement economy" or an "economy without coercion," and the second, what it has really developed into. In its theoretical form, the "agreement economy" has an anti-commodity nature, even though qualifications have been made very frequently that organizing OOURs is aimed at having them act as commodity producers in the market. In actuality, the "agreement economy" contains the idea that the commodity economy should be curbed because of its spontaneous nature.

This is an old idea that Stalin put forward back in 1953. In his first version, from the 1940's, he accepted the operation of the law of value in socialism, but in a converted form. In a work in 1952, he corrected himself and said that a certain law operates or does not operate. Thus, the idea of a "converted form of the operation of the law of value" went back to the ideas from the 1940's.

The standpoint of the "agreement economy" on how one can (and must) master the law of value is interesting. Since the basic organizations of associated labor were set up as true commodity producers, which means that the value of their work is objectively assessed, this would have as a necessary prerequisite the complete atomization of the economy, and that would only be a real socialist "laissez-faire" system. To keep the OOURs from producing a typical environment through their obvious property of being commodity producers, the whole theory has been supplemented with the concept of a universal system of consultation and agreement. How can one now establish a stitch, a thread leading the OOURs to mutual agreements? The criteria are found in the technology, i.e. in the vertical links of one branch with another in the social division of labor, from primary raw materials to the final products.

What is actually meant by vertical linkage within an economy? In what manner can it be established? There is no single-cause line like vertical combines at the scale of the national economy. We know how complex and dispersed the process of social production is. To which industrial complexes should the production of electricity be linked, and how should it be located for individual reproduction entities? How should agricultural "output" be located for individual industrial complexes? We recall only the crude attempts to have the entire economy organized into about 40 large reproduction entities. In spite of strong official support, this artificial oligopolization of the economy was never able to succeed.

There is a complete similarity -- I will just dwell on prices -- between the Soviet model and the model of the "agreement economy." In the Soviet Union, the prices of consumer products also have to be subject to a certain market valuation, and coordinate supply and demand in a given volume; and the other prices, the wholesale prices that occur in production consumption, are determined directly by the state. In the "agreement economy," instead of the state there is a complex entity which, in spite of its pluralism of interests, through its will, expressed in agreements, can set prices for the means of production

effectively, even through temporary measures, in contrast to the extreme part of the economy that links production with final consumption, where economic laws prevail, although they can also be modified by organization of the producers and consumers.

This is the first complex, and the second one is what this "agreement economy" developed into the so-called systemic laws appeared. Some people are now calling these laws subsystemic solutions. In this manner they want to single out the determinations in the Constitution and the ZUR [Law on Associated Labor] as the primarily fundamental ones, while all the other "subsystemic" solutions are subject to change. By the way, I think that this is a step forward in the thinking of some people.

Economists have asserted -- whether they wanted to or not, because of the pluralism of self-managing interests which do not have a basic mechanism that would objectively assess them beyond their own opposing forces -- use value and value, goods and money, buyer and seller, supply and demand, that we would get into a situation in which the principal economic magnitudes would be warped, agreements and accords could not be either reached or implemented, and room would be made for the sociopolitical communities, or rather the state, to arbitrate. And not just arbitrate, but also to be responsible for all the vital decisions. The general scheme, within the framework of planning and mandatory mutual consultation and agreement, is not realistic if one wants to maintain the democratic nature of decision-making along with economically optimum results.

[Question] Aren't the authority and wisdom of the more than 500 scholars from Yugoslavia who prepared the Long-Term Economic Stabilization Program enough to overcome all resistance with respect to the implementation of this Program? Is scientific thought really so impotent with respect to political practice?

[Answer] If we are talking about economic science, when it was not able to use its own otherwise correct indications to prevent the adoption of certain blunders in our legislative activity, or to influence the conduct of a rational economic policy in the past, then I do not know what has changed so that the influence of science would now be greater than it was at the time before the adoption of the Stabilization Program.

Influence of Science

Last year, in June, at a lecture, all of those present were very harsh in assessing the present situation, in seeking the causes, and even in demanding that the individuals that had brought it about be cited by name. In the discussion that was conducted, Professor Smiljan Jurin said that the role of an economist was like that of a doctor, that we, like doctors, were making a diagnosis and proposing a therapy. It is up to the patient whether to accept this diagnosis or seek another doctor, or possibly an entire consultation. This business with the Long-Term Economic Stabilization Program resembles a consultation, but the results are still slight, since in regard to our patient two things must be distinguished: whether the entire country is ill, or whether decisions are made by certain people in whose method of decision-making there are rules that could block the undertaking of any measures that could otherwise help.

[Question] To what extent are changes being blocked by people's protection of their own interests?

[Answer] In any change, even the best, someone loses and someone gains, but those changes which help the country as a whole to gain are good. It is understandable that all those who would lose something through some change should oppose it. It seems to me that our situation now is the same as the way the late Joanna Robinson described the world economy during the crisis of 1973 and afterwards -- that the government of a certain country wanted to improve its position or at least more or less maintain it. Chaos on the world market, however, resulted from these intentions on the part of individual states.

The present situation in Yugoslavia is the result of similar intentions on the part of our opstinas, and especially of such intentions on the part of the republics and provinces. It would be good if we could at least implement what has been agreed upon by consensus so far.

[Boxed article]

State Transfer

Speaking about the problems of foreign economic relations, Professor Zoran Pjanic, among other things, said:

"Yugoslavia's position within the world economy is undoubtedly difficult. We are sharing the fate of all overindebted countries. The rules imposed by the International Monetary Fund can be reduced, as is well known, to increasing exports in order to secure funds for the repayment of interest, and eventually the initial debt. Nevertheless, in assessing the entire effort of our country to ensure the basic external liquidity, it should be pointed out that other countries have shown a rather great willingness to assist us. The facts show that in 1983 the East agreed to increase its sales while reducing imports, thus improving the material side of our economy. On the other hand, the West reduced its exports to our country, and within certain limits opened its market to our export industry, thus making possible a certain flow of foreign exchange to Yugoslavia.

Consequently, while giving full consideration to the efforts of our economic organizations, we should not neglect this foreign component. A particular issue is the way in which our country is not utilizing this opportunity quite rationally because of the present foreign exchange system. In every country, individual branches of the economy normally act as exporters, while the others purchase foreign exchange in the foreign exchange market. In our country, we have instituted a rule that everyone who needs foreign exchange must find it himself, and as Professor Oskar Kovac recently said, this rule resembles a situation in which some person wants to buy shoes and contacts the producer, but from the latter receives the answer "Make the shoes yourself."

For this reason we are appearing on the world market with products that should normally be sold right here at home and this results in a net export loss. Viewing the country's development in the course of 20 years, from the economic

reform in 1965 to today, in spite of major mistaken investments like Obrovac or FENI, the main material disproportion in the country's economy is the hypertrophied, uncoordinated, and underproductive manufacturing sector. Our difficulties are derived primarily from the inability to fulfill the basic idea -- our being competitive at least in the European market, on the basis of importing raw materials and processing them in Yugoslavia. Proof of this assertion is also provided by comparisons between the export and domestic prices achieved in the energy, raw materials, and manufacturing sectors. As a rule, even in the present phase of a great depreciation of prices for raw materials on the world market, our producers of raw materials are getting higher prices than the domestic ones, while many manufacturers are getting considerably lower prices than the domestic ones. It can be seen from this what relative price relationships are like in Yugoslavia, and what a great transfer is being made, by state measures, between branches and regions."

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YUGOSLAVIA

SLOVENIAN-KOSOVO DISCUSSIONS ON ECONOMIC COOPERATION

Pristina JEDINSTVO in Serbo-Croatian 20 Apr 85 p 3

/Excerpt/ Discussions were held yesterday in Pristina between delegates of the executive councils and economic chambers of Slovenia and Kosovo on results of economic cooperation between the two economies up to now: 25 self-management agreements have thus far been signed between OURs of the two economies on joint programs which are in the process of being realized. Of these, 20 programs will be realized directly between OURs /organizations of associated labor/ of the two areas, and the preliminary estimated value amounts to 16.6 billion dinars, 8.5 billion dinars of which represent pooled funds of Slovenia. When completed, these programs will provide employment for 3,743 new workers.

In the remaining five programs in which OURs from all republics and the Province of Vojvodina are participating, OURs in Slovenia will invest 558.8 million dinars. When completed, these projects will provide 2,707 jobs.

It is realistic to expect that by the end of this medium-term plan and during the next plan period the linking of the two economies on the basis of self-management income relations and on the basis of exchanging labor and funds will be considerably stronger and broader, more analytical and concrete than heretofore.

Also discussed was an agreement which would accelerate the inflow of funds from Slovenia into the Fund of the Federation /for developing undeveloped areas/.

In stating that the pooling of labor and resources is one of the priority requirements for the faster development of Kosovo, for solving questions such as changing of economic structures, strengthening the ability of the economy to accumulate capital, and increasing employment, the delegations supported the broader inclusion of work organizations also from other republics and the Province of Vojvodina in realizing individual economic projects in Kosovo.

The delegates from Slovenia visited the "Feronikal" plant in Glogovac where they held discussions with representatives of this work organization.

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YUGOSLAVIA

PROPOSAL TO TRANSFER POWERS FROM 'OOURS' TO WORK ORGANIZATIONS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 22 Apr 85 pp 14-15

/Excerpt/ Discussions which have been going on for several years regarding OOURs (basic organizations of associated labor) and ROs (work organizations and which culminated last year in the demand that OOUR /bank/ accounts be eliminated, have resulted in further action. Namely, proposals were adopted at last week's meeting of the Federal Council for the Social Order giving ROs considerably more rights in the use of social funds; these proposals will require considerable changes in regulations, especially in the Law on Associated Labor.

...In noting that neither OOURs nor ROs are developing in accord with the intentions of the Constitution and the Law on Associated Labor, the /above/ Council's ...study on "Some Basic Questions of Self-Management Decisionmaking in Organizations of Associated Labor" was...largely accepted, and essentially gives more authority, rights, and obligations to work organizations.... The right to dispose of social funds is transferred from basic organizations to work organizations.

The new position of the OOURs requires that the workers in OOURs decide on the use of capital accumulation and that they bear the economic consequences of their decisions,...and that the possibility be completely excluded for sociopolitical communities or, even more often, various informal groups, to have an influence on investment and development /of OOURs/.... It /the study/ said, "If the workers who are most directly affected by the results of decisions made on expanded reproduction do not issue these decisions themselves, bearing also the responsibility for them, there is no motivation for economically rational decisionmaking; and disruption in reproduction and slowing of development is inevitable."

But the question is to what extent OOURs will be able to undertake this role; and, even more important, how difficult or impossible will it be for them to market their production, if, as is also proposed, they are not permitted to form their specialized services, etc., how interested, in general, will they be in increasing labor productivity, quality, and development. That is, is the RO mechanism always the most suitable for this.

...This meeting of the Council is the last in the series of meetings devoted to particular areas of the sociopolitical system (eight areas-eight studies). During May the Commission, headed by Josip Vrhovec, is to consolidate the final document, "Analysis of the Functioning of the Political System of the SFRY," which will be submitted to the Council the beginning of June.

CSO: 2800/322

SFRY GOVERNMENT DELEGATION ARRIVES IN JAPAN

Led by Sukovic

LD072046 Belgrade TANJUG in English 1733 GMT 7 May 85

[Text] Tokyo, May 7 (TANJUG)--A Yugoslav Government delegation, headed by Federal Vice-Premier Mijat Sukovic, arrived on a one-week official and friendly visit to Japan today.

During the stay in Japan, Yugoslav Vice-Premier Sukovic will confer with Japanese Premier Yasuhiro Nakasone, the ministers of foreign affairs, finance, international trade and industry, science and technology and transportation and with prominent Japanese businessmen and representatives of economic associations.

The talks will focus on possibilities for expanding economic ties between Yugoslavia and Japan. The two sides share the view that their mutual trade and economic relations in general lag far behind the actual wishes and needs of the two national economies.

The Yugoslav delegation will inform the hosts about the possibilities for mutual cooperation opened with the enactment of new Yugoslav regulations on foreign investments, especially in tourism.

Economic Discussions

LD092027 Belgrade TANJUG in English 1751 GMT 9 May 85

[Text] Tokyo, May 9 (TANJUG)--The talks Yugoslav State Presidency Vice-President Mijat Sukovic had here today with Japanese Foreign Minister Shintaro Abe, Finance Minister Noboru Takeshita and other ranking Japanese politicians and businessmen, reflected the Japanese side's greater interest in the promotion of cooperation with Yugoslavia and in the new Yugoslav regulations on joint ventures and free customs zones.

Sukovic acquainted the hosts with details of over 50 city of Belgrade proposals for joint ventures in Yugoslavia. The Japanese side underlined the significance of Yugoslavia's participation in the "Expo 85" world exposition.

Last year, Yugoslav exports to Japan stood at 30.5 million dollars, and imports at nearly 82 million. Materials for steel production, wines, feathers, aluminium, foodstuffs, skis and footwear account for the bulk of Yugoslav exports to Japan, from which Yugoslavia imports mainly iron, tyres, steel, electronic assemblies and machinery.

CSO: 2800/318

YUGOSLAVIA

NONFERROUS METALS PRODUCTION, TRADE DATA, 1984-1985

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Jan 85 p 5

/Article by Dusan Ivanovic: "Increases Planned"/

/Text/ On the basis of the assumptions stated, (if they are achieved--we have seen where all the obstacles are), we could nevertheless expect a certain increase in the production of nonferrous metals this year. Of course, it would mean, on the average, a 10 percent improvement in the amount of supplies for metal processing, compared to last year. In order to achieve this, however, it will be more difficult to "sail" with foreign exchange through the triangle of ferrous metallurgy--nonferrous metals--producers, than to sail with ships through the "devil's" triangle, as they call the Bermuda Triangle in the Caribbean Sea.

Everything thus depends on securing that famous $312 million that the metal complex is lacking overall, and this is more or less certain, depending on whether it is viewed with the eyes of an optimist or a pessimist. At the same time, naturally, it is also necessary to eliminate the so-called subjective weaknesses, which are at first glance minor ones, but which collectively have a very definite influence on the overall production result.

Thus, within the framework of nonferrous metallurgy, copper production should be increased by 10,500 tons of copper this year. Naturally, a great deal will depend on securing the conditions for production, while, as we have seen, ast year there were a considerable number of major problems. The copper producers had to postpone repayment of the principal in their debts to foreign partners, but even this did not help, in spite of the manufacturers' promise to allocate the amount of foreign exchange that was lacking. It did not go smoothly, although about $60 million was involved, even after all the talks, consultations and agreements.

The copper producers also have their own specific problems, which are increasing from year to year, because the evident fact is that the copper content in the ore is declining, and these are not the former rich deposits with 4 percent metal, but considerably more miserly in some places, as in Veliki Krivelj, where it is 0.37 percent. This is too moderate, and if there were no accompanying metals, from silver to magnetite, there would be a great question as to the profitability of the operation. At the same time, the price of the necessary

machinery--especially large dump trucks--on the world market has grown threefold in recent years; and the price of the necessary spare parts grew at the same rate. The price of copper, however, for understandable reasons--the developed ones are protecting their capital--had a considerably more moderate growth rate.

The shadow of indebtedness, consequently, is still exerting pressure on the production of copper, and this is the real reason why metal in blocks is leaving our borders for the stocks of foreign purchasers.

One can speak now about the difficulties of aluminum producers from several angles, but this cannot essentially change the position of this group. At one time it was notorious for its unrealistic planning (440,000 tons of the medium-term plan!) this year.

It would be superfluous to perform an analysis now of whether it would be wise to purchase precisely this technology, and how profitable it was to enter the existing integovernmental arrangements under which we trade rather large amounts of aluminum with our foreign trade partners in exchange for raw materials of strategic significance for the development of our economy.

Even under such circumstances, an increase of 10,000 tons is planned this year in the production of aluminum, but it should be stated that very unpleasant deviations are possible here as well. Above all, one should recall that this is a question of a specific industry whose cost price includes an almost fantastic percentage for electrical energy, that this is a so-called "fire swallower," and that our current year began with well-known temporary difficulties, when reductions in the consumption of electricity are not just possible, but very probable, and even certain.

It would take too long to list the difficulties of this group, since it is not immune either from all of the troubles that are bothering nonferrous metallurgy, industry and the economy as a whole: the shortage of foreign exchange, dinar illiquidity, the unfavorable position in primary distribution and poor accumulative capacity, overindebtedness to domestic and especially foreign banks, etc.

A year or two ago, problems appeared even where there were no apparent reasons and no pressing need, in the production of lead and zinc, since there was a rapid decline in production. Fortunately, later on there was a revival of production. Let us hope that the trend toward growth will continue this year as well, especially since our export obligations for these two metals, based on intergovernmental contracts, are fairly high.

In fact, an increase of 22,000 tons has been planned in the production of lead, and it would be nice if one could note at the end of 1985 that this plan had been carried out. At the same time, it has been planned--at least, this appears to be the case from the assumptions of the plan--that zinc production is to be 10,000 tons higher.

Consequently, on the average, the production of nonferrous metals would be higher by that precious 10 percent, which could be given to the manufacturers,

naturally if the foreign exchange arrangements, already mentioned several times, are fulfilled. A plan's desires and assumptions on paper are one thing, however, and the flow of a productive lode from the mine to the metallurgical plants and further processing into a semifinished product is another thing.

TABELA I Table I

PROIZVODNJA 1)
Katodni bakar

2)	1. RTB, Bor		135.063
3)	– iz sopstvenih sirovina	63.093	99.382x
4)	– iz domaćih sirovina	3.511	
5)	– Bučim	4.320	
6)	– iz uvoznih sirovina	22.874	35.681

7) x sa Bučimom

		tona	
	8) Ostvareno I – IX 1984.		1985. plan
9)	Proizvodi od bakra	68.974	110.000

10)	Izvoz	000 $	1985. plan	tona
11)	Bakar metal	5.547		3.500
12)	– IE kliring DDR	5.547		3.500
13)	Bakarni proizvodi	114.080		35.000
14)	– RZZ	68.000		20.000
15)	– IE konvertibilno	1.150		500
16)	– IE kliring	30.780		9.500
17)	– ZUR	16.150		5.000
18)	Uvoz			
	Bakar metal	60.970		40.000
	– RZZ	7.970		5.000
	– ZUR	49.500		33.000
	– IE konvertibilno	3.500		2.000
	Bakarni proizvodi	27.600		12.000
	– IE kliring	5.000		2.000
	– IE konvertibilno	12.000		6.000
	– RZZ	10.600		4.000

Table I

Key:

1. production--cathode copper
2. RTB, Bor
3. from its own raw materials
4. from domestic raw materials
5. Bucim
6. from imported raw materials
7. with Bucim
8. achieved Jan-Sep 1984
9. products from copper
10. exports
11. copper metal
12. East European clearing, GDR
13. copper products
14. developed Western countries
15. East European convertible
16. East European clearing
17. developing countries
18. imports

TABELA II Table II

IZVOZ 1)

OLOVO METAL 2)	1985. plan 000 $	tone
– IE kliring „NK" aranžman ČSSR 3)	6.000	10.000
– RZZ 4)	1.750	3.500
UKUPNO: 5)	7.750	13.500
CINK METAL 6)		
– IE kliring 7)	31.350	29.000
ČSSR „NK" aranžman 8)	18.750	15.000
DDR 9)	12.600	14.000
– IE konvertibilno (Madarska) 10)	3.300	3.000
– RZZ	2.100	2.000
UKUPNO:	36.750	34.000
UVOZ 11)		
OLOVO METAL		
– RZZ	4.320	9.000
– ZUR 12)	7.200	15.000
– IE konvertibilno	675	1.500
UKUPNO:	12.195	25.500
CINK METAL (I LEGURE) 13)		
– RZZ	23.400	20.000
– ZUR	19.080	18.000
– IE konvertibilno	535	500
– IE kliring	1.650	1.500
UKUPNO:	44.665	40.000

Table II

Key:

1. exports
2. lead metal
3. East European clearing, the Czechoslovak "NK" arrangement
4. the developed Western countries
5. total
6. zinc metal
7. East European clearing
8. Czechoslovak "NK" arrangement
9. GDR
10. East European convertible (Hungary)
11. imports
12. developing countries
13. zinc metal (and alloys)

TABELA III Table III

PROIZVODNJA 1)

OLOVO METAL 2)

			tona
1. RMHK olova i cinka „Trepča", Titova Mitrovica	3)	49.664 x	82.476 4) tvrdo 6.500
2. Topilnica za cink i olovo „Zletovo", Titov Veles	5)	14.328	17.500
3. Rudnik „Mežica" – Topionica	6)	20.247	24.000
4. „Unis", Brčko		3.715	6.000x)
5. RTB „Zajača", Loznica	7)		5.000x)

x) iz sekundarnih sirovina 8)

CINK METAL 9)

			tona
	10)	Ostvareno I–X. 1984.	1985. plan
1. RMHK olova i cinka „Trepča" Titova Mitrovica – elektroliza	11)	13.230	31.100
2. HI „Zorka", Šabac Elektroliza cinka	12)	23.313	30.000
3. Topilnica za cink i olovo „Zletovo", Titov Veles		29.439	45.380

Table III

Key:

1. production
2. lead metal
3. Trepca Lead and Zinc RHMK, Titovo Mitrovica
4. hard
5. Zletovo lead and Zinc Smeltery, Titov Veles
6. Mezica Mine, Topionica
7. Zajaca RTB, Loznica
8. from secondary raw materials
9. zinc metal
10. achieved Jan-Oct 1984
11. Trepca Lead and Zinc RHMK, Titova Mitrovica--electrolysis
12. Zorka HI, Sabac; electrolysis of zinc

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CSO: 2800/168

YUGOSLAVIA

FERROUS METALLURGY PRODUCTION, TRADE DATA, 1984-1985

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 20 Dec 84 p 5

/Article by Dusan Ivanovic/

/Text/ On the eve of the current year, which is just about to end, and the new one, 1985, which will come in a few days, there is no more secret about everything that happened in ferrous metallurgy and what the plan assumptions are like. It should be mentioned at once that the relationship between the producers of these products and the consumers was not harmonious, and that as a result of this clash, dissonant trends were noted. In fact, a considerable amount of metal was exported, and the steel manufacturers were forced to import. There was a continuation of the unfavorable trend in securing the basic elements of production--from coke to scrap steel, iron ore, inserts and fireproof materials.

This year the steelworks' plan was ambitious or extensive, since the production of 5.3 million tons of steel products was planned. Even when the plan was adopted, it was certain that it would be difficult to fulfill. The trends in production showed that the pessimists were right, since 91.5 percent of the plan was fulfilled, i.e., a little more than 4.7 million tons of finished steel products were produced. The cost of achieving this physical volume was also fairly high, since at the same time, about 1.2 million tons of steel products were exported (which includes final processing work) so that the steelworks could import the necessary raw materials and semifinished products. It was shown that the percent of the foreign exchange earned that was kept was insufficient to prevent increased steel exports, since the metal processing and construction industry consumers did not have the foreign exchange to purchase increasingly larger amounts and "turn" them toward domestic plants and construction sites where the value of steel products, as part of the final phases of processing, would have been enhanced several times over. Thus, in practice, we exported the least profitable material, and at the same time, international competition was fierce because of the increased supply from world steel producers. Our steelworks thus exported at cheaper rates than could have been achieved on the domestic market, merely in order to secure urgently necessary foreign exchange.

They had to do this, however, because of the nature of the production process, so that the high furnaces would not be extinguished, which would have done very

great damage. In fact, the steelworks were in a bind because of their great dependence on imported materials and considerable foreign obligations from previous years, resulting from their utilization of commercial credits with very high interest rates. It turns out, therefore, that without considerable amounts of foreign exchange they cannot do business (it is all the same to them where they obtain it), and the consumers did not have these funds.

During the year, however, it was clear that the trends in ferrous metallurgy--as a result of the continuing growth of exports at the expense of poorer supply of the domestic market--were the opposite of those that would be desirable and which were generally accepted in the documents on economic development: the attempts for us to export primarily finished products with a high degree of processing, which contain domestic materials, and have a higher percentage of utilization of the installed capacities, scientific-research and design work, etc.

The plan for 1984, which spoke of 4.865 million tons of finished steel products, was at the same time a break with the great illusions that were present in this year. In terms of percentages, this is 88.9 percent of the 1984 plan--we have seen that it was not fulfilled--i.e., it was planned that there would be an increase of close to 3 percent compared to what the steelworks produced.

On this occasion, however, it should be stressed that this production plan is also limited by certain foreign exchange requirements, regarding which it is not quite certain whether they will be met. In fact, the steelworks, in order to cut exports in half and give the domestic market an additional 600,000 tons in comprison with this year's supply, proposed that their share of the foreign exchange be increased from 46 to 55 percent, and also that the manufacturers give a 6 percent of their foreign exchange funds (somewhere around $80 million). As matters stand now, the proposal is more in the area of theory than real possibilities, since the attitudes of official echelons are that the steelworks should purchase this amount of foreign exchange on the domestic foreign exchange market! In fact, regardless of the suggested advantage of the steelworks' acquiring foreign exchange in this way, it is well known to everyone that there is no supply of foreign exchange available.

PLAN PROIZVODNJE CRNE METALURGIJE U 1985. 1)

Naziv proizvoda 2)	1985. plan	1984. plan	85/84. plan upor. 3)	Ostv. u 84. apsol. 4)	i %	Odnos plan 85. ostv. 84. 5)
koks 6)	2,785	2,725	102,2	3,496	–	–
žel. ruda 7)	4,410	4,425	99,6	4,739	–	107,9
gvožđe 8)						
ukupno 9)	3,207	3,198	100,3	2,754	86,2	116,4
belo 10)	2,958	2,953	100,2	2,521	85,4	117,3
sivo 11)	249	245	101,8	233	95,3	106,9
čelik 12)						
ukupno	4,471	4,429	100,9	4,137	93,4	108,1
SM	1,533	1,535	99,0	1,394	90,8	109,9
LD	1,828	1,835	99,6	1,605	87,5	113,9
EI	1,110	1,059	104,8	1,137	107,3	97,6
gotovi proizvodi 13)	4,865	5,314	91,5	4,728	88,9	102,9
ferolegure 14)	283	290	97,5	261	89,9	108,4

15) Procene RZ Opšteg udruženja crne metalurgije Jugoslavije.

Key:

1. production plan for ferrous metallurgy in 1985
2. name of product
3. 1985, 1984 plans compared
4. achieved in 1984, absolute and percentage
5. ratio of the 1985 plan to what was achieved in 1984
6. coke
7. iron ore
8. iron
9. total
10. white
11. gray
12. steel
13. finished products
14. ferrous alloys
15. estimates of the RZ /expansion unknown/ of the General Association of Yugoslavia

We are thus going into next year with a situation in which the basic question--foreign exchange--has not been resolved for the steelworks in an effective way, and thus the fate of steel production is uncertain, for who knows how which time (this area has been lagging behind in development for two entire medium-term periods).

In fact, it appears that a lesson is never enough (a lesson learned by firms that are not exactly small), or that we simply do not possess the potential to settle the status of the producers of steel, as the basic material for metal manufacturers and a very vital one for construction.

/Boxed Insert/

Everything Depends on Foreign Exchange

According to the projections in the plans of the ferrous metallurgy organizations of associated labor for 1985, which were prepared under the assumption of unaltered operation of the foreign exchange system, with all of its apparent weaknesses, the following is planned:

production	4.865 million tons
exports through processing/finishing work	395,000 tons
exports of assortment surpluses and other exports in order to ensure the necessary amount of foreign exchange through compensation arrangements and other forms	879,000 tons
available for the domestic market	3.595 million tons
total needs of the domestic market	4.803 million tons
shortage to be covered by imports	1.208 million tons

If the proposed measures secure the necessary foreign exchange funds for the needs of ferrous metallurgy, the production of finished steel products would be increased by 665,000 tons, or 16 percent, in comparison with 1984. Only assortment surpluses of 450,000 tons would be exported, and 640,000 tons more would be delivered to the domestic market than in 1984. Imports of finished steel products would be reduced by the same amount, and would be brought down to 580,000 tons. Thus, the degree to which domestic needs are met with our own steelwould be increased from 73 to 84 percent.

In view of the lack of the necessary foreign excahnge funds for covering socially acknowledged production needs, without the adoption of this proposal, metal processing and other consumers would not be able this year either to import more than 600,000 tons of finished steel products and would remain insufficiently supplied. An increased supply of finished steel products would compensate for the shortage in relation to the overall needs.

The needs of all consumers, of which the metal processing industry constitutes 60 percent, are covered.

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CSO: 2800/168

YUGOSLAVIA

PROBLEMS IN PRODUCTION OF TRANSPORT VEHICLES

Parts Shortage Limits Production

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Dec 84 p 3

[Article by (ljt): "Production from Imported Parts Cut in Half"]

[Text] The rate for the increase in the production of automobiles in the last quarter has been agreed upon, to some extent. After 6 months, the total increase in production compared to the first half of 1983 was 33.4 percent, and "only" 20.1 percent at the end of the 9th month. In addition to the collective annual leave in the automobile factories, this was also caused by increased difficulties in supplying sheet metal, [GIBLJEVI], and other parts which have been accompanying the production of this group since the beginning of this year, along with equipment breakdowns at some producers in the third quarter (for example, at Zastava).

The production of automobiles from imported parts has been reduced, or rather almost cut in half. But this sector of production only constitutes 12 percent of the total of what has been done. With the production of automobiles from domestic parts, the situation is the opposite. Specifically, in this part of the production there was an increase of 40 percent compared to the production in the period from January to September 1983. This, however, was not enough to fulfill the production plans completely. Thus, at Crvena Zastava, 86 percent of the plan in the main program was carried out. Nevertheless, in comparison with last year, there was an increase in production, by 18 percent. In this program the structure of production was as follows:

Type of Vehicle	Units Produced
Zastava 101	40,129
Zastava 750	23,071
Jugo	22,721
Zastava 128	13,804
Total	99,725

Production would have been higher if the necessary parts had been ensured. In addition to the standard problems (as was the case with imported sheet metal), at the end of the third quarter great difficulties were being created by rubber

tracks for turning glass windows. Because of these parts, at the end of September there were 2,461 Jugo vehicles in stocks. The total stocks were about 4,000 automobiles, which is twice the permitted stocks that had been agreed upon.

This largest of the Yugoslav automobile producers encountered numerous supply difficulties in the past months. In addition to the existing problems, other problems arose as a result of delays in opening letters of credit to pay for obligations abroad, and after the return from annual leave, which slowed the purchase of sheet metal, rubber and plastic parts, and other parts. Instead of the desired 690 vehicles per month in the second half of the year, only a little more than 600 vehicles were produced (606 in September).

Sheet metal was the supply item that has created the most problems since the beginning of the year. Since the supply from domestic sources had fallen considerably short, Zastava turned to imports. Even this, however, did not proceed as desired. The first but insufficient quantities arrived from Austria. Next, certain quantities of sheet metal arrived from West Germany, and a consignment from Italy was also expected. The shortage of sheet metal created a problem in Zastava's pressing shop, especially the shortage of sheet metal for the production of the larger pressed parts for the roof, sides, floor, and fenders.

Exports are lagging behind the planned volume as a result of the shortage of raw materials and parts, but also as a result of the inability to produce vehicles whose assortment and quality would be in accordance with the demands of foreign purchasers. The total volume of exports in the first 9 months of this year was increased by 16.9 percent in comparison with the same period in the previous year. Furthermore, significant attempts were made to open up new markets. At the same time, however, imports of automobiles grew somewhat more intensively, and exceeded what was accomplished in exports in both volume and value.

Overall Increase in Production

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Dec 84 p 3

[Article by (Lj. T.): "Production of Transportation Equipment -- Lagging Behind the Established Plans"]

[Text] In the first 9 months of this year, the total production of all types of transportation equipment, as well as motors and parts for them, increased by 6.8 percent in comparison with the same period of the previous year. Production was less than the previous year's for only two groups. In the production of rolling stock this shortfall is 14.7 percent, with real prospects of its being maintained until the end of the year. The production of commercial highway vehicles, especially buses and special vehicles, from domestic parts is also at a lower level than last year.

The production achieved constitutes an increase for all other groups.

		I–VI'84 I–VI'83	IX'84 IX'83	I–IX 1984. I–IX 1983.
1)	Proizvodnja saobraćajnih sredstava	17,2	98,6	106,8
2)	Proizvodnja šinskih vozila	83,1	92,0	85,3
3)	Opravka šinskih vozila	99,7	111,9	103,9
4)	Proizvodnja motora	109,4	96,0	114,8
5)	Proizvodnja kamiona	87,9	89,5	91,0
6)	Proizvodnja automobila	133,4	103,5	120,1
7)	Proizvodnja motocikala	150,9	118,9	154,8
8)	Proizvodnja bicikala	111,7	108,9	111,8
9)	Proizvodnja delova za vozila	114,4	96,3	110,8
10)	Proizvodnja ostalih saobraćajnih sredstava	128,3	57,3	104,0

Key:
1) production of transportation equipment
2) production of rolling stock
3) repair of rolling stock
4) production of motors
5) production of trucks
6) production of automobiles
7) production of motorcycles
8) production of bicycles
9) production of parts for vehicles
10) production of other transportation equipment

The increased production, however, does not also mean that all of the producers succeeded in fulfilling their plans for this period. In fact, it was characteristic of most of them that they fell short of the plans; the problems with the supply of the necessary materials and parts contributed to this. Particularly felt was the shortage of sheet metal, strips, rubber, and parts for automobile windows, the shortage of motors, etc. It will be very difficult to compensate during the remainder of the year for the shortfall in production in the first 3 quarters.

Rolling Stock Production Down

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Dec 84 p 3

[Article by (Lj.): "Reduced Imports"]

[Text] The data on the production of rolling stock shows a continuing shortfall, from quarter to quarter, behind the results from the previous year. At the end of the 9-month period, this shortfall was 14.7 percent. The results were somewhat improved in the third quarter because of a faster pace of the completion of orders in these months. Thus, in the third quarter alone, 13 locomotives were completed and shipped, compared to a total of 31 locomotives for all 9 months. At the same time, electric locomotives were imported from the USSR, and locomotives with diesel motors from the United States, but in a reduced volume compared to the previous year.

The shortfall in the production of railcars, trolley cars, carts, etc. resulted from an inadequate supply of parts, but also from the situation that the railroads, the main users of the products from this group, are in.

During the first 9 months of this year, over 2,400 vehicles were produced, as follows:

Type of Vehicle	Units Produced
Closed freight cars	1,150
Open freight cars	747
Tank cars	145
Special railroad vehicles	311
Other passenger railcars	78
Total	2,431

This year, exports of railcars were reduced to just a modest delivery of passenger cars to Iraq. All the remaining exports, which constitute 0.4 percent of the value of goods exported, consisted of exports of parts, and even that was in a volume one fourth that of the previous year.

Imports were more diversified, in comparison with the structure of exports. In addition to the locomotives already mentioned, passenger cars were also imported, followed by various types of rolling stock (containers for various types of transportation and carts), as well as various parts for the types of rolling stock that dominate imports.

Truck Producers Limiting Production

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Dec 84 p 3

[Article by Ljubica Todorovic: "Deliberate Limitation of Production"]

[Text] The overall production of all types of commercial highway vehicles during the period January-September 1984, as well as chassis and bodies for these vehicles, was below the production plans for this period for all producers. Production is also 9 percent short of last year's level.

The results in the production of trucks and buses is even poorer. Only the volume of the production of chassis for commercial highway vehicles was increased, but at rates varying from month to month, on the other hand. Some body producers are deliberately limiting their production capacity because of a fear of a stock as a result of the slowing of the assembly lines of the vehicle producers.

Restructuring to Take Place Only After 1985

The largest lag behind last year's achievements and this year's plans was observed on the part of the producers of special highway vehicles from domestic parts, and the producers of buses did not do any better.

Supply problems were the dominant influence on the performance of this group. Thus, the production of trucks in the past months had the most problems with the purchase of shipments of imported parts and with the supply of domestically produced motors. Thus the assembly and completion of vehicles at TAM in Maribor was slowed the most by the shortage of motors supplied by IMR. In the third quarter they did not obtain a single pump for the TAM-75 vehicles, and in the last part of the production program they felt the lack of imported parts, primarily brakes for the TAM 190 A 11, bearings for motors, etc.

Under such conditions, it is unrealistic to expect the production plan or even the export plan to be met. In the first 9 months of this year, about 11,000 trucks were produced, of which only 48 vehicles were made from imported parts. The dominant place in the structure of production belongs to the trucks with a 5-ton carrying capacity.

Production of Trucks by Carrying Capacity in the Period January-September 1984

(in units)

	to 2 tons	2-5 tons	5-7 tons	7-10 tons	over 10
Number of trucks produced	1,212	6,487	975	1,953	300

This structure of production by carrying capacity will certainly be maintained for a long time yet, since the plans for the restructuring of the production of some producers with an orientation toward trucks with a larger carrying capacity (like TAM, for example) is only to be carried out after 1985, and that will primarily be through cooperation with foreign partners.

Plan shortfalls occurred in the production achieved. In the first 3 quarters of 1984, the factors for commercial vehicles in Crvena Zastava produced 6,067 trucks of all capacities, which is 425 less than the plan for this period.

The work organization TAM in Maribor completed 6,415 vehicles and chassis in 9 months (this figure also includes buses), and this represents 97 percent of the plan for that period. This plan shortfall was more pronounced in September (23 percent), since instead of 868 vehicles, only 670 vehicles and chassis were completed.

Trucks were exported to the Italian market (almost all the exports were of trucks with capacities under 3 tons), but also to the markets of a large number of developing countries (Egypt, Libya, Nicaragua, etc.). Some of the trucks with capacities over 5 tons were exported to the USSR. Although the export plans are not being fulfilled, the volume of exports shows a certain improvement compared to the previous year.

At the same time, imports were reduced by 33.5 percent in volume, i.e. 42 percent in value. The emphasis in the structure was naturally on trucks with capacities over 5 tons, which is an expected compensation for the unfavorable structure of domestic production.

Zastava 101 Pick-Up Does Not Depend on Imports

The situat'on in import-export trends for the production of buses was the opposite. Imports, which were otherwise very modest in terms of volume, were somewhat increased by importing buses for urban transportation from West Germany. On the other hand, exports were drastically reduced, by almost 9 percent in comparison with the previous year, so that they are now actually symbolic. They are being made primarily to the markets of the developing countries (Egypt and some others).

The total shortfall in the production of buses amounts to 24.2 percent, with a 30 percent shortfall in production from domestic parts, and an 18 percent shortfall in production by assembly on chassis. Stocks were reduced virtually to a minimum, which made it possible for sales in a certain volume to exceed production during this period.

In the first 9 months of this year, somewhat more than 4,000 special vehicles of various types were produced, of which three quarters were made from domestic parts. The shortfall in production from domestic parts was very large. In comparison with the previous year, which also did not yield satisfactory results, the shortfall amounts to nearly 40 percent.

The situation in the production of ambulances and other special vehicles is considerably more favorable, but this is only part of the requirements. Production from domestic parts, which is more diverse in structure and larger in terms of volume, bore the brunt of many problems. The factors for delivery vehicles in Sombor (part of Crvena Zastava) had a 27 percent shortfall in the first 9 months of this year. Instead of 3,717 vans, it produced 2,873 vehicles. The main problem was presented by shipments of imported sheet metal, but there were also problems with parts from the commercial vehicle factory, specifically sleeves for the front suspension, axle shafts, and other parts for the first mounting.

In any case, in September sales of the new Zastava vehicle, the Zastava 101 pick-up, began. This light delivery vehicle is made from the base model Zastava 101, and is characterized by complete mastery of the parts, so that production does not depend on imports. It is expected that these vehicles, with later versions (a van version and a delivery truck with a polyester superstructure) will assume the dominant role in the structure of the Sombor factory's production. The initial series of the Zastava 101 pick-up vehicle will consist of 250 vehicles.

9909
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YUGOSLAVIA

CAPITAL INVESTMENT WORK ABROAD IN 1984, OUTLOOK FOR 1985

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Apr 85 p 3

[Text] The past year did not fulfill expectations with respect to the amount of work on capital investment projects abroad contracted for and performed. Yugoslav builders faced difficulties different from those which have been arising on the domestic market, but they were numerous and have further deteriorated the unenviable position of the construction industry. Following the record year of 1983, when activity related to work on capital investment projects abroad brought in more than $3.1 billion of new contracts and recorded more than $2.6 billion of work done, in 1984 there was an appreciable deterioration of the results examined with respect to all basic indicators. Although there are still no definitive figures, which makes it impossible to refer in a decided way to the figures on achievements in the period which has passed, on the basis of a specific survey of the Market Research Bureau and according to data from other sources, the value of new contracts last year did not exceed $2.7 billion, while work done amounted to $2.3 billion. The volume contracted for in 1984 was lagging about 13 percent behind 1983, and performance 10-12 percent behind. What was particularly disturbing last year was the rather lengthy period of time (January-April) when the winning of new contracts went very slowly, which inevitably had to have an impact on the rate of performance.

The inflow of foreign exchange on the basis of work done (through profit, personal incomes--foreign exchange portion, management and sales costs, and depreciation) dropped nearly one-fifth in a year.* It is estimated that in 1984 it amounted to between $600 and $650 million, but differences in rates of exchange tended to make revenues from foreign operations larger than the year before last, though in real terms they were smaller. The survey of the Market Research Bureau shows in a sample of some 20 of the quite large contractors doing this kind of work that they did in fact triple. In addition, the positive differences in rates of exchange related to transactions from the previous period remained almost at the level of those that occurred in 1983. However, losses on those projects were increasing, especially in the domain of civil engineering projects, specifically on the markets of Iraq and Libya.

* Between $750 and $780 million were permanently remitted to the country in 1983 originating in all aspects of performance of this kind of work abroad (according to figures of the National Bank of Yugoslavia and an estimate of the Market Research Bureau).

More than a third of foreign exchange revenues "went" to cover the losses incurred.* There was also a certain outflow of resources recorded on the basis of negative differences in rates of exchange, which have been growing, but these obligations are much smaller than the revenues realized through positive differences in rates of exchange (the ratio is 7:100).

Exports of other segments of the economy through construction organizations have also been lower in both relative and absolute terms. The figures on the volume of domestic materials committed and consumed for construction and equipment show that last year about $145 million of goods from industry, the agroindustrial complex and other activities were exported through work on investment projects, which is more than 20 percent below 1983. It is evident that the inadequate incentives given to construction organizations for larger exports of the products and services of the rest of the economy and also recordkeeping of a portion of exports as the exports of the producers themselves (rather than the construction contractors), along with the reduced total volume of work done, were the principal causes of the statistically indicated lag in these revenues of the domestic economy outside the country. It is certain that the picture would have been somewhat more favorable if it had also included the other transactions involving exports of products installed at construction sites abroad, such as joint exports of equipment or materials producers. The survey of the Market Research Bureau also shows that important factors to the insufficiently high exports of equipment through work on capital investment projects relative to the need for total exports were the relatively high prices of our producers as compared to the prices of world producers, uncertain delivery deadlines, poorer product quality and difficulties in obtaining credit to support their sales. Then come the stipulations made by foreign designers and investors, who hinder construction contractors from recommending equipment of their own choice, as well as our own inadequate investments and encouragement of designing organizations to be active outside the country so that the doors of the foreign market would be opened through them not only for construction work proper, but for the rest of the interested economy as well.

Intensified Activity

The activity of construction organizations abroad at the beginning of this year was to some extent more favorable than in 1984, especially by comparison with the same 3 months of the year. In the period January-March 1985 there was a growth in the volume of contracts, and a similar upward tendency has also been noted in the performance of work contracted for. Judging by the pace, it seems that this year's activity is closer to what began in 1983 than to last year's, even though the lag has not been made up so far. This is indicated by the datum that--in spite of the difficulties--there has been a slight increase in the hiring of new workers abroad after a period of almost 2 years of stagnation and a reduced labor force. These estimates are confirmed by the intensified activity in several organizations of associated labor in

* Sizable losses by certain foreign operations were recorded by "Planum," "Autoput" and "Ivan Milutinovic"--organizations which had in fact earned rather sizable income from performing work of this kind.

the construction industry which carry on continuous activity outside the country: "Energoprojekt," "Trudbenik," "Planum" and "Ratko Mitrovic" (all of Belgrade), "Hidrogradnja," "Unioninvest" and "Vranica" (all of Sarajevo), "Hidroelektra" (Zagreb), "Slovenija ceste"--"Tehnika" (Ljubljana), "Mavrovo" and "Beton" (Skoplje) and others.

This development of activity has been achieved even though several adverse factors have been affecting performance of work during the past year. This applies above all to the keener international competition, the reduced capital investment activity in most of the countries where Yugoslav construction workers are involved on large projects, the lack of credit support for the activity of this segment of the economy abroad, the failure to agree on limits concerning the level of payments of personal incomes (compensation) for workers employed on these projects, failure to regulate matters related to incentives and the treatment of the inflow of foreign exchange which construction organizations realized, and also the impossibility of collecting for a portion of work on some of the largest markets. To be sure, the latter problem was in part mitigated near the end of 1984 either by intergovernmental agreements on payments in petroleum or certain other raw materials or again by a certain extension of deadlines for collection. Because these factors have been operative for a long time already, construction organizations seem to have become accustomed to their presence and emphasize them considerably less than earlier, no longer seeking to use them as the basis of difficulties in activity outside the country.

Construction Work and Project Planning Services Abroad

Republics and Provinces	1983	Jan-Sep 1983	Jan-Sep 1984
	Value of Construction Work and Project Planning Services Contracted for, Total, Thousands of Dollars		
SFRY	3,128.2	2,910.1	2,269.5
Bosnia-Hercegovina	540.3	518.1	383.6
Slovenia [sic]	3.2	2.7	1.9
Croatia	463.4	470.9	476.2
Macedonia	243.7	242.1	223.0
Slovenia	484.3	465.9	335.5
Serbia	1,393.1	1,210.4	849.3
Serbia proper	1,358.0	1,177.8	833.6
Kosovo	1.9	1.8	2.7
Vojvodina	33.3	30.5	13.0

Table (continued)

Republics and Provinces	1983	Jan-Sep 1983	Jan-Sep 1984
	Value of Construction Work and Project Planning Services Performed, Total, Thousands of Dollars		
SFRY	2,624.8	1,811.6	1,336.9
Bosnia-Hercegovina	433.6	325.0	257.1
Slovenia [sic]	3.1	2.3	0.5
Croatia	381.8	260.6	236.8
Macedonia	227.8	164.6	127.2
Slovenia	447.7	315.9	238.5
Serbia	1,130.8	743.2	476.7
Serbia proper	1,106.5	729.5	467.2
Kosovo	1.1	0.7	2.0
Vojvodina	23.2	12.9	7.5
	Share of Building Materials and Equipment in Work Performed, %		
SFRY	7.1	7.8	6.8
Bosnia-Hercegovina	29.6	30.1	16.5
Slovenia [sic]	--	--	--
Croatia	1.8	2.0	0.5
Macedonia	0.2	0.2	1.5
Slovenia	4.8	5.3	11.7
Serbia	2.6	2.8	3.6
Serbia proper	2.1	2.7	3.3
Kosovo	--	--	--
Vojvodina	23.2	12.2	25.9

Source: Figures of the Federal Bureau of Statistics.

At the same time there was a stronger presence of certain adverse factors whose influence needs to be minimized as soon as possible so that their more lasting effect would not inhibit once again more favorable performance of work on capital investment projects abroad. For example, the large appreciation of the dollar against the majority of other currencies is a factor which has been rapidly lowering the dollar value of new jobs being contracted for and to be carried out in the period just ahead. As a consequence in early 1985 they concluded transactions at prices similar to those in 1978 or even lower, even though costs are considerably higher than they were then. This especially applies to the prices of fuel, which--in spite of a certain fluctuation and indeed even a momentary drop--have averaged between threefold and fourfold higher than 6 or 7 years ago. This year there is a need to increase the volume of construction work 15 percent to get the same money for work done as 2 or 3 years ago. This is especially characteristic of the market of the developing countries, whose currencies have been depreciating rapidly against the

dollar and which have been expressing their own high nominal indicators concerning the value of new work in smaller and smaller dollar amounts. Investors, not uncommonly hurt by the great strengthening of the dollar, are trying to apply daily exchange rates in calculating statements of work done on projects under way instead of the permanent rate set forth in the contract, which means that they are trying to reduce their outlays and pass on a part of the cost to the contractors.

Incentives Are Lacking

There has also been a lack of incentives and other major encouragement to the performance of work on capital investment projects, since in spite of several demands by construction organizations, the actual inflow of foreign exchange is still not properly recorded. The methodology for monitoring the inflow of foreign exchange from performance of work on capital investment projects is still in an early stage of development and it will take at least a year or two for it to be adopted and put into effect, which means that this problem will be having an adverse effect on construction organizations in 1985 as well. It is significant that the international competition of our organizations operating outside the country has become keener when the domestic market has been sought. It is not uncommon for our organizations to go after the same contract without being united and without an agreement. Attempts to achieve more order through a self-management accord on coordinated activity of construction organizations abroad have so far not been yielding full-fledged results, for one thing because of vagueness and lack of precision in certain statements in the text. This affords the basis for differing interpretations. The vaguenesses of this self-management accord are especially significant concerning an organized effort when more than one of our organizations are involved in international bidding, in which competitive relations are above all established toward firms abroad. On this matter there need to be decrees on the performance of work on capital investment projects abroad. The problem of the complete involvement of the Yugoslav construction industry and of domestic equipment producers in building our thermal electric power plants, since investors, who are not independent, are now allowing foreign equipment to be installed in the projects built, without social control at the top level, which is hampering the domestic economy in getting references and diminishing the opportunity for the organized offering of our complete services abroad (that is, construction work and equipment) when it comes to building extremely expensive thermal electric power installations which are very important to earning foreign exchange. If they are to be on an equal footing with other world firms in building these projects, construction contractors and domestic equipment producers must first gain the corresponding references in their own country, and that means also channeling the purchase of licenses through these organizations for equipment which can be produced in our country instead of being continually imported or indeed could be offered along with our bids for doing the construction work.

Payments Are Creating Problems

While there is a lack of coordination in the payment of personal incomes for workers employed in our various organizations outside the country, at the

beginning of the year considerably steeper taxes were introduced on personal incomes abroad in some republics (Serbia, for example); it is certain even now that their application will detract from workers' interest in this kind of work. What is more, there is growing fear that the most professionally competent workers and those who have had the longest work experience will speed up their return to the country, since their economic interest will be under the pressure of the tax bite of the social community, and this will inevitably threaten the deadlines and the quality of performance of the obligations assumed toward foreign investors.

It is also evident that the unspent, but frozen resources of Yugoslav organizations denominated in the local currency are also giving the builders increased difficulty; these funds remain unspent in the accounts of domicile banks after completion of work and cannot be alienated because of our unfavorable arrangements in the system, nor can they be released to other Yugoslav organizations which need them. This detracts from the favorable effects of the work done, since if this money were freed (either through the possibility of selling it or through its conversion to other currencies), funds would be obtained for new investments.

There is another problem that is continuing to be an urgent one, although certain measures have already been taken. This has to do with collecting for work done with deliveries of certain raw materials, above all petroleum, instead of foreign exchange. Last year a decision was made to accept these payments, since it was judged that this would be a way of reducing the debts of foreign investors, who have had difficulties in obtaining adequate foreign exchange for payment, and that it would at the same time provide a faster inflow of funds into the accounts of construction organizations. Instead, because of the rather complicated procedure--beginning with the consent to acceptance of the deliveries of certain raw materials (production supplies), and then the selling of those materials and the inflow of funds into the accounts of the national bank from domestic customers and the recrediting of these funds to the construction organizations, takes quite a bit of time--even as much as a year--which is slowing down the circulation of money and making it difficult to contract for more work. In future firmer guarantees by investors with respect to the ability to pay should be insisted on so as to mitigate this problem to some extent.

These problems must not be underestimated if we want to ensure more lasting consolidation and a growth in the volume of work contracted for and performance of work on capital investment projects abroad.

[Box]

Prospects for Performance of Work on Capital Investment Projects Abroad up to the End of the Year: Optimism Predominates

With implementation of the conclusions adopted by the SFRY Assembly and adoption of the new measures to initiate action toward a more effective representation of the construction industry abroad, real opportunities would be created for an overall growth of the work contracted for and performed on capital

investment projects up to the end of 1985. The organizations in the construction industry which were surveyed indicate more favorable prospects for development of this work up to the end of this year as compared to the same period of last year.

The optimism is based on the higher pace at which work has been contracted for not only on the traditional markets (Libya, Iraq, USSR, West Germany), but also on certain new markets such as Algeria, Egypt, Malaysia, Iran and elsewhere. It is expected that the total value of work performed in 1985 will exceed $2.5 billion and that there will be about $3 billion of new work contracted for. Achievement of this estimate seems to be rather realistic, since all the organizations operating abroad have more projects now in the phase just before concluding a contract or being worked up, which affords greater confidence that the contracts will be let or the work will be performed in the coming period. Thus the work this year would approximate the activity in 1983, which was extremely favorable.

It is estimated that the inflow of foreign exchange in 1985 will remain within the range between $600 and $650 million, mainly because of the less favorable prices at which contracts are now being let and new projects carried out. At the same time, it is expected that sales of equipment and materials for installation in 1985 will exceed last year's level by 10-15 percent (and amount to between $160 and $170 million).

On the basis of everything we have said, this year ought to be more favorable for the Yugoslav construction industry, especially with respect to work done n capital investment projects abroad in 1984. By all appearances there will a reestablishment of the favorable upward trend in development of work on capital investment projects abroad, which, given the problematical conditions of conducting economic activity in the country, will mean a noticeable easing up for the business operation of the construction industry and will create the certainty that some of the difficulties within the country can be offset in the long term through further expansion of work abroad.

7045
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YUGOSLAVIA

SLOVENIAN PLANT TAKES INITIATIVE TOWARD INTEGRATED MARKET

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 8 Apr 85 pp 18-20

[Interview with Ljubo Filipan, vice chairman of the business committee of the "Emona" Complex Organization of Associated Labor: "The Conditions for Decline and for Expansion"; interviewer, date and place not specified]

[Text] Emona, a SOUR [complex organization of associated labor] with 19 work organizations in the fields of domestic and foreign trade, agricultural and industrial production, tourism and engineering, and 6 enterprises abroad, following a cycle of development over several years in agriculture, industry, the hotel business and the tourist agency business, aimed at increasing its inflow of foreign exchange, is again positing improvement of the trade sector as an absolute condition for future development both in its own business operation and in the economic system in general.

That is the topic of our interview with Ljubo Filipan, vice chairman of the business committee of the SOUR, which we are publishing below in a freely edited version.

EKONOMSKA POLITIKA: In Portoroz "Emona" recently suggested to the conference of people in the hotel business and trade sector the advantages of supplying hostelry and retail trade through organization of an elaborate wholesale system. Why did "Emona," Yugoslavia's classic case of interregional and interrepublic commercial operation, restrict itself to the Slovenian coast and Istria in organizing that group of business executives?

Ljubo Filipan: Because, and it is not the fault of the trade sector, the Yugoslav market has mainly disappeared over the last several years. Even the republic markets have mostly disappeared; that leaves the opstina markets, or in "the best" case the regional "markets." It has gone to the point where organizations like "Emona" are forced to reduce the areas in which they operate and to begin to focus on regions with a radius up to 200 km. This is the "fate" of a considerable number of commercial organizations who before this period of several years of stagnation and the retreat of the trade sector had begun, not in words, but in deeds, to create interrepublic, Yugoslav, parallel large supply systems for the rest of trade, industry and a multitude of individual consumers, offering them all a basic condition for social and individual progress: free choice of goods on the basis of comparison by price,

quality, assortment and all other elements. As those commercial commodity-money flows on the soil of Yugoslavia became weakened and were severed, all other forms and ways of initiating and passing on progress were also broken off and vanished: from manufacturer's ideas and innovations to the very flow of money itself, which was territorialized within the boundaries of opstinas, to the consciousness of the individual, who no longer knows what his country possesses, since the trade sector is often not able to inform him about this, much less present the product to him and deliver it. Information has even to some extent become a punishable crime, or at least an unjustifiable and, one might say, harmful action, similar to junk literature, since expenditures for "advertising and promotion" were for years subject to the same punitive taxes as the publication of junk literature. Now, even without any sort of "historical distance," under the pressure of the ever broader and ever clearer socio-economic consequences, people are beginning to see how paradoxically harmful ideas and actions have been concerning the trade sector and the market in this period from which, I hope, we will be getting out in the foreseeable future.

EKONOMSKA POLITIKA: Is the system for linking up commodity-money flows, that is, a network of manufacturing, commercial and tourist organizations, which "Emona" proposed in Portoroz, an expression of that kind of business renaissance?

Filipan: We did not propose anything that we were not advocating 10 years ago or 15 years ago. What we were aiming at at that time on the entire Yugoslav market we are now trying to apply at least on a regional market, convinced that we will not always be confined to the region, nor only to the republic. When optimality takes root in a local framework--it must, precisely because of its proven benefit, extend beyond those limits. In collaboration with "Emona Hotels" we presented to the rest of the tourist industry and commercial organizations the most optimum ways of using a system that links together many producer organizations on the one hand and the retail network of our own and other commercial organizations on the other. Between them, not as a "middleman," but as a dynamo and at the same time optimalizer, as a factor making the commodity-money exchange "cheaper," there should operate a powerful wholesaler, with his own warehouses, with the capability of finishing or processing goods, with computer data processing, and with a transportation system in place. We are talking about a joint gain in time, in economizing on inventory, in assortment, in purchase price, in more efficient supply to potential final customers, organizations or individuals, and that means in terms of larger joint sales.

The renaissance of the role of trade, as we see it in "Emona," has to begin with unspectacular "tiny" measures, with a storage system, that is, with a system for the distribution and transport of goods. Even a joint system of warehouses belonging to producers and trade, with the optimum quantity of the raw materials and products necessary at the moment, brings an essential reduction of production costs, just as the appropriate system of distribution and transport can have decisive importance to the economy of a retail network, which is critically underdeveloped. Retail trade, which among other things we expect to make it possible to increase the spending of tourists, does not have the financial prospects for rapidly expanding its network out of its own savings;

just about the only possibility at present is to increase the benefits from its trade, above all through better technology, within the framework of more efficient systems of purchasing, storage and distribution. In all of this, as I have already said, optimality on a small scale, that is, in a small area, in a small region, in and of itself moves toward expansion in the volume of operation and business, since in each individual case it thus increases, following the principle of large numbers, and that leads to breaking down the local and regional limitations, which are in essence noneconomic. So we will begin at least with optimalization on a small scale, local and regional.

Aside from the better supply of the regular domestic market, the results of such efforts will be felt most rapidly in the growth of spending by tourists in our country, in our "quiet exports."

EKONOMSKA POLITIKA: Is it possible to anticipate a certain renaissance in export transactions from that kind of optimalization and updating of trade "on a small scale"?

Filipan: That problem is still more complicated, since those long years of shattering the Yugoslav market and of the antimarket attitude in general not only broke up the trade systems which were able to sell a selection of world-competitive Yugoslav products on the international market, but production was also broken to pieces. And we will not even speak here about the need for the broadest possible prior Yugoslav "internal" selection of goods through verification on the overall domestic market, nor will we talk at all about the market as a verifier of production whose reliability increases with its size; it is sufficient merely to say that regionalism and localism of the "market" set up even a physical barrier to the scale of production, to large production runs, which usually is an absolute condition for profitability or optimality of production and also for the competitiveness of the producer price and with it the commercial price on the international market. Commercial systems operating across republic lines, throughout Yugoslavia, parallel, that is, comparable to one another and competitive in a constructive way, which had been conceived and earlier had in fact even been achieved in part, "dragged" even large Yugoslav producers to the surface; their products first received the broadest verification, their "image," on the domestic market, and thereby everything that comes with large production runs and large sales, above all a more reliable orientation as to the actual value of particular products and the capability of their creators with respect to price, quality, design, concerning the producer's ability and that of his trading partner to provide permanence in production and sales, that is, trust on the part of the consumer. From that kind of foundation, which at the same time is an essential contribution to raising the entire quality of life in the country, one can start out with incomparably greater confidence in conquering a foreign market.

Today there are few such Yugoslav producers; and with what kind of verification, by whom, on the basis of what and whose criteria, is today's typical opstina producer, or at best regional producer, supposed to move successfully into the world? With his own "foreign trade" partner, who is also confined to the opstina or possibly to the region? What can be the scale and quality of his "international marketing"? It is a complete riddle how the expansion of

exports was conceived in our society in past years--when the blood flow of the economy through wholesale and retail trade was cut off, shattered, indeed even atomized, and with it production was broken up into small parts, and world standards vanished from it. In many forums and in the public there has been criticism of the low price at which our products have been exported. The causes are clear. If trade is given back its logical commercial function and the basic, equally logical, economic conditions for performing that function--Yugoslav production will enjoy a great renewal, with optimum expansion of exports. Of course, that process can no longer be a brief one, nor painless. Over the long years of localistic protectionism, which in essence and in its final result is also antieconomic, the concept of selection--one of the basic conditions for progress--was displaced not only in fact, but even psychologically.

Personally, like most business executives in similar commercial organizations, I remain an optimist. We will do everything, as indeed is shown by the meeting which "Emona" organized in Portoroz, so that optimality and efficiency again begin to penetrate from smaller to broader regions and associations. This is the foundation also of our optimism with respect to business or physical integration with producers. One of the mistakes of general social practice in past years is that in reaching agreement with producers, in "resolving" and "reconciling" income-sharing and other relations, in "safeguarding ourselves" against possible or imagined "deviations," we get away from the basic purpose of the new relations: the real economic benefit for all the parties to the agreement. Even the parties to the agreement have usually been wrongly named or at least named in the wrong order. In setting the prices of products being sold, for example, where the share of the trade sector even in the most favorable case has never exceeded 20 percent, prior mutual linkage of several producers of a given article would have much greater importance than the tugging back and forth of the individual producer and merchant, and that also applies to their trading partners. That is the way to create large systems in production and trade. This way the charmed circle has been getting smaller and smaller: the merchant, who has gotten smaller and smaller and is less and less worthy of partnership, under a social and moral onus and with a share in the price that is administratively frozen, and a producer who is in fact less and less industrious and "protected" by a localistic monopoly, have gotten together to "agree" about an income that has been getting smaller and smaller--to a pile of hundreds of thousands of pages bearing the devalued title "self-management accord."

EKONOMSKA POLITIKA: You have said that in spite of all the optimism the process of renewal of the trade sector, and thereby of the renewal of production, cannot be either brief or painless, that is, say, that the obstacles make it a lengthy and difficult one.

Filipan: The trade sector should above all be objectively capable of beginning its own internal modernization. With the present "margins," which do not even cover the cost of capital necessary to finance the most indispensable inventory, it is unable to fulfill even this first condition for more effective cooperation with producers. Even if at this moment instruments were adopted that would affirm market laws, it would take the trade sector a lengthy period

of time, at least 5 to 10 years, to create the capital that it would commit to effective modernization of its own facilities. The trade sector as a whole is now lagging an entire decade behind the needs of a moderately developed industrial country. Second, to a large degree we need to change and in part to vacate a whole number of administrative measures, especially local regulative barriers. Third, we have to overcome and as a practical matter do away with the actual local trade monopolies that have been established. In both formal and practical terms we need to do away with the division into "domestic" and "domicile" commercial organizations and those which are "external" and "someone else's." Finally, we have to break down the barriers set up by urban planning; the incompetence for effective land use planning of settlements is frequently the most reliable defense against commercial "newcomers." Of course, these are not the only barriers to revival of Yugoslav trade and production. There is, however, a single key: establish an open Yugoslav market or at least begin convincingly with an effort to establish it.

EKONOMSKA POLITIKA: In your estimation are the positions taken by the participants in the recent Action Conference of Party Members in Yugoslav Trade a cumulative beginning of a new period in that sense?

Filipović: There have been logical and constructive positions taken concerning the problems of the trade sector at other forums, at the highest political and assembly level, in recent years, but still the role of trade has remained incompletely stated, and the policy toward it has been vague. These vaguenesses and mistakes were quite often negatively accentuated by practice, which even on the words of decisions made subsequently contradicted the positions adopted previously. There have been many attempts to define the role of the trade sector as a set of instruments providing a span between production and consumption in whatever form, but in recent years regulations have come down to reducing the role of the trade sector. There has even been confusion about concepts. For example, an artificial trade network, especially quasi-wholesale trade organizations, protected by territorial business monopolies, has been created under the pressure of localism. Of course, that artificial trade has been unable to perform the role of a real trade sector, but this true trade has thereby been essentially hampered and frustrated in its development. The consequences are well known; they lie above all in the shortage of principal types of goods, consumer goods, as well as production supplies. Note has, of course, been taken of the odious paradox here that as the total volume of trade declines, the number of organizations in the trade sector has been increasing, and the criticisms of bureaucracy of the public in general has been aimed at the trade sector as a whole, not at that part of it which was artificially created by the conditions prevailing in the system which brought that about. On the contrary, the criticism has been aimed precisely at that part of the trade sector which has always objected to the things that brought about the situation which has always been in favor of doing business without the broadest free choice, along with competition, that is, selection of the best in workmanship, between organizations in the same industry or the branch of the economy, essential factors in any progress—[illegible] and economic.

In the successful and economically logical "trades" seem to be more present in Belgrade, Zagreb, Ljubljana or Skopje and not that much [illegible] Centrotrans or

Belgrade, UPI of Sarajevo, or any other organization that is a strong and qualified partner and competitor to be more present in Ljubljana, since we are aware what it means to have the certification of the market, which grows more and more in direct proportion to the number of real and qualified trading partners on it. Territory which has been monopolized for the "trade sector" and "producers," by contrast, has the result that not only the latent capabilities of the trade sector and production cannot be put to advantage, but also that the localistically monopolized "market" experiences a total reduction. We have all been witnesses to such processes in past years. But, this must be clearly stated, clear conclusions concerning future policy have to be adopted at all "levels" and out of that kind of awareness.

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YUGOSLAVIA

CROATIAN ECONOMY STRUGGLES WITH INFLATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Apr 85 p 3

[Article by Jasen Grubic: "High Inflation Is Eating Away Even at the Economy's Capital"]

[Text] The poorer results achieved in output and exports at the beginning of this year, the new wave of price increases (70.3 percent over the first months of last year), and the incomplete performance of preparatory work in certain economic sectors, in agriculture above all (planting), but also in construction work and then tourism, do not afford the basis for an optimistic estimate of economic activity in Croatia in 1985. To be sure, this is the start, and it is after all difficult to judge this year's outcome on the base of it, and in fact it is even dangerous since wrong assessments of a situation can force undesirable solutions and measures in the economic system and economic policy, such as price freezes and the cession of foreign exchange, and the consequences of that are then manifold. After all, not only would inflation not be halted, but production and export business would fall off seriously.

The main problems which the Croatian economy faces, and this incidentally applies to the rest of the economy as well, lie first in the high rate of inflation, which is eating away even the capital of the economy itself, and in the policy of the real exchange rate of the dinar and real interest rates, which have not had the anticipated benefits of larger exports and more optimum use of social resources. First of all because of the fact of the decline in the value of the dinar, which was supposed to make it possible for exports to bring in more income, has been offset by the high rise of prices on the domestic market and the sizable reduction of incentives. Given the low share of its own money, the economy has at the same time had to make more intensive use of bank credits to finance current production and thereafter the ever larger inventories of finished products as well--and that regardless of the conversion of a portion of short-term credits, the rescheduling of debts which have come due, and other measures of financial consolidation.

Indicators To Reflect on

With respect to exports, especially to the convertible area, the sizable potential has thereby been exhausted, so that it is difficult to anticipate any turnaround without changes in the product mix, improved quality, effective

market development, linkage, the financing of the preparation of exports in general, and exports of capital goods in particular. Nor has a solution been found for the supply of fuel and power, the consequence of which has been the short and long interruptions in plant operation and then losses which are being socialized. The price disparities of inputs are pronounced, especially in livestock raising, which is reflected in the decline of its output, the supply on the market and exports. In the tourist industry the support may not be merely verbal, leaving everything else, beginning with financial backing, to the preparation of the main season.

Although last year's results in visible trade with the world were relatively good, the coin also has another side--they have been compared with a poor previous year, and they did not even reach the targets contained in the resolution. As for domestic and world conditions, it will be difficult this year to maintain even those developments in relations with foreign countries, much less achieve the value of exports in 1981 and 1982. Reflections of this kind are aroused by indicators on the smaller exports nd increased imports in the first 2 months of this year. Since the export curve has not begun to climb significantly even in March, a change is taking place in the pattern of sales, since relatively more goods are going to the bilateral payments area, from ships to footwear, and 12 percent less has been sold in the convertible area. So, it is difficult to believe that this can be made up in coming months.

All of this makes it imperative for [economic entities] to place "their own" business policy under a magnifying glass--to what extent are their goods meeting the demands of the market, how well are they meeting delivery deadlines, are they maintaining continuity in external marketing, are they coordinating their efforts on the outside, and so on. After all, the situation at the time of the transition to 1985 was certainly not such as to "allow" certain sectors of the economy price jumps ranging from 30 to 100 percent.

The Story About the Pumpkin and Our Own Head

That is why the Economic Chamber of Croatia is calling for reassessment of all such "actions," but also for a battle to cut back costs--by turning labor productivity around and by optimizing inputs of all factors of production, especially a reduced employment of capital and greater mobility of capital, even under the pressure of the restrictions in monetary-and-credit policy. That in fact ought to be the commitment taken as the point of departure in the present phase of activity on the part of the chamber. Otherwise "the pumpkin can be smashed on our own head."

It is certain that these estimates of current economic trends contain the tasks and directions of commitment of the entire mechanism of economic chambers in the republic, based above all on long-term solution of the problems of prices and bringing domestic consumption below the value of the domestic product, which is the only guarantee for normalization in external balances. They are the basis for the conclusions that will be formulated by the executive committee of the chamber's assembly, which will be sending them to all those responsible for economic conditions. Even today, however, it is indisputable that the conclusions will not be able to get around the problems of an

organized effort to overcome the present situation in which economic entities are not linked to one another and capital is not pooled, to achieve linkage in production and trade, that is, to bring economic entities together on a unified market.

There was also insistence on paying every concern to quality factors in the conduct of economic activity and world criteria of efficiency, but also on precise determination of the exact location and causes of losses in the economy and proposals for eliminating them on a lasting basis. The advancement of production for exports in which we have comparative advantages is certainly a paramount task, and another is formulating the kind of monetary-and-credit policy which will stimulate our better inclusion in the international division of labor.

[Box]

Baneful for Trade

It is also significant that last year the terms of trade--differences between average export prices and average import prices--were eight points, to the detriment of export prices, of course, and a consequence of that is the irrecoverable outflow of a portion of income abroad, which is baneful for the balance of payments even in better times.

These estimates, which incidentally were pronounced recently in the discussion of current economic trends in the Assembly of the Economic Chamber of Croatia, are confronted by the fact that the burden of stabilization last year was mainly taken by personal incomes, whose share in real net income dropped from 67.1 percent in 1983 to 68.4 percent. The share of net income in income is continuing to drop--3.3 percent, and the principal culprit here is the interest, which last year had a share that was all of 16.3 percent in distributed income. The problem is all the greater because the interest is draining off income mostly into financial institutions and especially to savings depositors--and that in an amount almost equal to the capital formed by the Croatian economy (160 billion dinars).

It is certain that things are not going as we would wish, but, judging by the discussion in the Assembly of the Economic Chamber of Croatia, it is also essential that last year a turn nevertheless was taken for gradually emerging from the crisis in which the economy has been for 2 or 3 years, even a bit earlier than might have been expected. An important turnaround was achieved, it was said on that occasion, in many areas--from production, especially agriculture, and supply in general, to dinar liquidity and the positive exchange balance. The conception of opening up toward the rest of the world, of reviving economic laws and similar commitments contained in the stabilization program have been given confirmation in practice.

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YUGOSLAVIA

ECONOMIC DEVELOPMENT PLANS TO YEAR 2000

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Apr 85 p 3

[Article by K. Sekulic: "A Period of Financial Recovery With Quite a Few Fond Hopes"]

[Text] The draft of the long-range social plan of Yugoslavia from 1986 to the year 2000, which was recently submitted to the Yugoslav Assembly, contains many encouraging projections. If the planners have not gone wrong in their assessments, toward the end of this century Yugoslavia will be approaching full employment of its able-bodied population, and about 40 percent of the social product would be sold in visible foreign trade.

The experts forecast that industry and other nonagricultural activities could increase their share in the social product from the present 84 percent to 87 percent, while the overall standard of living would be increasing at an annual average of about 4.4 percent, assuming a rise in productivity of about 2.6 percent.

In the context of the remark that the years which divide us from the year 2000 will also be a time of many sacrifices and recovery of our present unfavorable situation in the economy, the planners rightly put the emphasis on stronger operation of quality factors in the conduct of economic activity and greater application of the most recent scientific advances. This kind of greater orientation toward our own resources and internal potential constitutes our lasting commitment, and here the planners have started out with a good basic element, but the question is the pace at which all of this can actually be achieved in view of the present situation and the numerous delays in making the changes in the economic system. The changes in the mechanisms of the economic system were one of the preconditions for carrying out the Long-Range Stabilization Program, and they have been late, so that this will influence the pace of the changes desired in the rate and structure of economic activity.

Out of a multitude of data on economic development we have picked out only what was most essential, above all the forecast that the social product of the entire economy will grow at an average annual rate of about 4.5 percent. Achievement of this average will require, the planners say, the most strenuous efforts in the years up to 1990. After that the acceleration of economic development would be more uniform and closer to 5 percent.

At an average annual growth rate of about 5 percent, the share of industry in the gross social product would rise from about 40 percent at present to 43 percent. At the same time, with a growth of about 3 percent, the share of agricultural production in the social product would drop from 16 percent to 13 percent in the year 2000, and at the same time transportation and tourism would experience considerably more dynamic growth.

Productivity and Depreciation

The experts forecast that the average annual growth of productivity of about 2.6 percent, and in the last decade, especially after 1995, even about 3.6 percent, will contribute to the growth of the social product of about 70 percent. Depreciation would grow at a rate of 6.4 percent, that is, faster than the social product, by contrast with social service and government expenditure, which would grow at a rate of 2.7 percent. Assuming an estimate that funds for expansion of plant and equipment will grow at a rate of 7.2 percent, the planners evaluate that more than half of present production technologies, devices and plant installations will be replaced by new ones.

The average growth rate of total investments would be about 4 percent. Economic investments in fixed capital would range at an average of about 5 percent, and noneconomic investments 3.8 percent, so that the share of economic investments in the social product would increase from 16.4 to 17.6 percent, and that of noneconomic investments would drop from 6.3 to 5.7 percent.

If we start with the present problems in creation of new jobs, the forecast is very optimistic about nearing full employment of the able-bodied population in about the year 2000. This can be achieved, it is felt, if 400,000 new jobs are created in the average year: 350,000 in the socialized sector and about 30,000 in the private sector, and the most serious problems would show up in the years immediately ahead of us. Total employment would grow at an average annual rate of 2 percent, so that at the end of the year 2000 we would have an employed labor force of about 11 million.

Exports and the Foreign Debt

As for the overall standard of living, an average increase of 4.4 percent is envisaged here. In the first years of carrying out this plan, the tendency will be toward gradual elimination of the economic burdens carried over from the previous period and in reestablishing more stable relations between capital formation and consumption. In coming years a more dynamic economic growth is anticipated, higher employment on that basis, and a faster rise of the standard of living. This would make it possible by the end of this century for gross personal incomes to more than double, or increase at an average rate of 4.8 percent.

Exports of goods and services would increase in real terms at a rate of about 5.1 percent, and trade with the world would be considerably more balanced. This would make it possible by the year 2000 for the share of exports of goods and services to increase to about 40 percent of the social product. The use of foreign capital will continue to contribute in the coming period to

providing additional accumulation as the total foreign debt shrinks. The volume of that capital used will not exceed the level of the principle of the debt which will come due for payment in the coming period. That would make it possible, it is now judged, to reduce the debt from about $18 billion in convertible currencies at the end of 1984 to about $16 billion at the end of 1990, that level being maintained in the period up to the year 2000.

It is felt, that is, that a policy of strengthening the export orientation in the period up to 1990 could reduce the absolute size of the foreign debt, while in the next decade that level would mainly be maintained, while there would be a quite appreciable increase in the share of use of capital on the basis of joint ventures between foreign and domestic partners. At the same time reduction of relative indebtedness would continue so that in the year 2000 no more than one-fifth of the inflow of foreign exchange would go to make payments of principal and interest and to cover other costs of servicing the foreign debt and other obligations.

Incidentally, the need to export mainly products which bring a greater benefit in terms of foreign exchange has again been pointed out, especially goods in higher phases of manufacture, as well as those which contain predominantly domestic raw materials (food, equipment, ships, wood manufacturing ...).

Since it is anticipated that the principal exporters will be machinebuilding and the metal manufacturing industry, the production of transportation equipment, and the chemical industry, electrical products industry, and manufacturing industry for which there are the raw materials and other necessary conditions, along with tourism and transportation, it is clear that this will require both specific measures and several efforts to reach agreement.

We have singled out merely some of the basic proportions in development which have yet to be verified in the public discussion which will begin soon in the working bodies of the Yugoslav Assembly.

[Box]

Hopes Expressed in Numbers

Specialists of the Federal Bureau for Planning believe that the economy's accumulative capability can increase from 5.18 in 1985 to 9.59 and reproductive capability from 9.11 to 17.72 in the year 2000.

The production of basic metals and nonmetallic minerals will approximately double, the output of chemical raw materials will increase about 2.5-fold, that of natural fibers about eightfold, leather about threefold and forest products about one-fourth.

Wheat production will stabilize between 6 and 7 million tons a year, and purchases at at least 70 percent of the harvest. Corn production will increase to nearly 20 million tons, which is an essential condition for development of livestock raising and larger exports. Sugar production will reach about 1.25 million tons a year, and output of edible oil about 450,000 tons.

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YUGOSLAVIA

BOR COPPER MINE AGREEMENT WITH CHINA REVIVED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 1-6 May 85 p 9

[Excerpt] Six or seven years ago action began on long-term cooperation to open a joint Yugoslav-Chinese enterprise for exploitation of copper based on joint investment in the Province of Sechuan; in mid-1984 this action was revived. According to Mirjana Lukic, coordinator of the section on China in the Yugoslav Economic Chamber, the Bor Mining and Metallurgical Works has expressed readiness to form a joint enterprise for constructing a mine and putting it into operation in Sechuan; according to unofficial estimates, the capacities of the surface mine would be about 2.5 million tons of ore annually. Besides copper, There is also gold, molybedenum, and silver, but in much smaller quantities. With average exploitation (capacities would be similar to those at Bor), ore could be mined for at least 70 years. About 5 to 6 years, but perhaps less, would be needed, according to Jovan Milosevic, president of the business council of the Bor Mining and Metallurgical Works to establish the mine on the basis of international standards and deadlines. He said, "Our work organization for scientific research and development, the Copper Institute, and the Equipment and Party Factory are capable of meeting every international offer. We are one of the few countries which can provide an entire technological and production process, including geological exploration, mining, metallurgy, processing, and also training of cadres in China--i.e., the total technological mastery of copper production. Details of the agreement to be worked out when a delegation from the Chinese General Corporation for Nonferrous Metallurgy and Mining Administration arrive in this country the end of May.

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YUGOSLAVIA

PLANINC SPEAKS ON AGRICULTURE TO VOJVODINA FARMERS

LD112242 Belgrade TANJUG Domestic Service in Serbo-Croatian 1505 GMT 11 May 85

[Excerpts] Novi Sad, 11 May (TANJUG)--Milka Planinc, president of the Federal Executive Council, hardly got a rosy picture of the situation in the agro-industry in Vojvodina during her interesting and open conversation today with representatives of the biggest agricultural and industrial combined works in Vojvodina.

In her address to farmers in Vojvodina Milka Planinc was clear and categorical in her attitudes and above all realistic and she demanded the same from the farmers in today's conversation. While taking into consideration all the difficulties of Yugoslav agriculture, which are severely affecting the food production in the region of our country which is the richest in grains, she felt it necessary to say that it would be a waste of time to keep convincing one another and prove what has already been proved.

Insisting on a realistic attitude to the Yugoslav economy in the state it is in, Milka Planinc said that one has to focus on a joint accord: How to continue? She considers that this to be the essential question which needs answering. This is why she welcomed proposals from those farmers which suggested solutions.

No one should be persuaded that agriculture is of strategic importance for developing our economy and that agriculture can survive without exports, Milka Planinc said. She also thinks that Vojvodina cannot alone carry the burden of interests on the stocks of produce intended for the consumption of the whole of Yugoslavia, because in this way not only agriculture but also the whole of Vojvodina's economy gets into a difficult situation. We have to agree on how to resolve the problems and not to persuade one another.

The president of the Federal Executive Council stresses that the key question today and which is also of lasting importance for the realization of the long-term program of economic stabilization is the position of agroindustry as regards exports. She accepts as correct the attitude that everything must be done to achieve the stability of the Yugoslav market and to increase the volume of food production for export.

If we do not follow this course there will be shortages not only in Vojvodina but in the whole of the country, and without this course there will be no progress and no increase in production or reduction in production costs. Without expanding exports we rely only on the domestic market and this is not a solution as it leads to shortages which are covered by high prices.

I am convinced, Milka Planinc pointed out, that an export-orientated agriculture is not only in the narrow interests of Vojvodina. She stressed the need for a more intensified struggle aimed at work productivity, indicating that the participants of today's conversation pointed out themselves that our competitiveness on the foreign market is limited to corn exports. This in itself sets further tasks in this field.

Not wishing for one moment to suppress sound ambitions in the development of agroindustry the president of the Federal Executive Council spoke in favor of a joint search for the best and the most realistic solutions. In this connection she noted that our realism means the long-term program which is not only beautiful and ambitious, but also painstaking and strenuous. Let us find realistic proportions within it; let us not create illusions about what we cannot do as that would be no good either for you or for the country, Milka Planinc warned, bearing in mind the new medium-term and long-term development programs which are being prepared.

And finally, Milka Planinc noted that, if agricultural production falls again now, the fall will be a long and hard one, shortages on the market substantial, and agriculture will thus add to the spiral of inflation and not contribute to the stabilization, which is expected from it. Let us do all in our power, she said, to prevent this fall. The president of the Federal Executive Council spoke particularly in favor of pooling labor and resources in agroindustry and of developing all the forms of partnerships and association, stressing that tradesmen should rely on their own resources and not on the state. She also announced that our economy is going toward something new.

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YUGOSLAVIA

BRIEFS

SERBIAN ECONOMIC REORGANIZATION--How to overcome the atomization of the economy in which basic and work organizations (OOURs and ROs) are formed within the borders of the opstinas, and the republic was the subject of discussion at the assembly of the Serbian Economic Chamber. Although a large number of SOURs (composite organizations of associated labor) (about 100) have been formed, substantial integration and linkage of associated labor has not been achieved. The work organization (RO)...has remained undeveloped and the pooling of labor and resources is not being strengthened; according to final accounts, last year only 12.6 percent of revenue was jointly-held revenue and only 1.8 percent of total income was jointly-held. As a result, the Serbian Economic Chamber has supported...efforts to work out more precise measures and criteria for organizing the OOURs (basic organizations of associated labor). It is estimated that such criteria could be prepared for about 12 economic sectors to be worked out in special agreements. In this way deformations in the organization of basic and work organizations would be avoided. The other action...to be taken is reorganization and elimination of those organizations which are only formal and without essential associative qualities. The attempt will be made particularly to unify the business and other functions which are of joint interest within work and composite organizations and communities; especially in regard to development plans, finances, trade and scientific research. /Excerpt/ /Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8 May 85 p 2/

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